S. Hrg. 109–797

TAX HAVEN ABUSES: THE ENABLERS, THE TOOLS AND SECRECY—VOL. 2 OF 4

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

AUGUST 1, 2006

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and Governmental Affairs

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61. a. Chuck Wilk/John Barrie emails, dated August 2001, re: *timing issues Revised Checklist (. . . from a tax standpoint, I think Silverlight ought to hold newco with Titanium at least a day or two to establish factually its ownership interest (important for basis shift) to better avoid argument that ownership is transitory and could be ignored on a step transaction argument . . .)* 1193
b. Chuck Wilk/John Barrie emails, dated August 2001, re: *Purchase Agreement* 1195
c. John Barrie email, dated August 2001, re: *Titanium Trading Partners LLC (Returns are calculated based on the sum of the costs of the collar, financing, loan fee and structuring fees as a percentage of the net gain/(loss) for each profitability scenario.)* 1196
d. Lana Phillips email, dated September 2001, re: *Revised Consents (I'd rather not indicate the sequence of these documents in their titles because the creation and ownership of the LLC by Barnville and EAICS must be completely independent. . . . Showing a clear sequence seems to betray that independence.)* 1197
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Footnote No. 1327, *See Attachments (5) and Footnote Nos. 872 and 1326 (above)* 5471, 4035, 5464
Footnote No. 1328, *See Footnote No. 872 (above)* 4035
Footnote No. 1329, *See Attachments (6) and Footnote No. 872 (above)* 5479, 4035
Footnote No. 1331, *See Attachment* 5493
Footnote No. 1332, *See Attachments (2) and Footnote No. 1331 (above)* 5494, 5493
Footnote No. 1333, *See Attachments (3) and Footnote No. 1331 (above)* 5496, 5493
Footnote No. 1334, *See Attachment* 5499
Footnote No. 1335, *See Footnote No. 1333 (above)* 5493
Footnote No. 1336, *See Attachment* 5501
Footnote No. 1337, *See Attachments (6)* 5503
Footnote No. 1338, *See Attachments (5)* 5509
Footnote No. 1339, *See Attachments (5)* 5514
Footnote No. 1340, *See Attachments (2)* 5520
Footnote No. 1341, *See Attachments (4) and Footnote No. 1340 (above)* 5550, 5520
Footnote No. 1342, *See Footnote No. 1340 (above)* 5520
Footnote No. 1343, *See Attachments (2) and Footnote No. 1332 (above)* 5564, 5494
Footnote No. 1344, *See Attachments (4)* 5566
Footnote No. 1345, *See Attachments (7) and Footnote No. 1344 (above)* 5572, 5566
Footnote No. 1346, *See Attachments (4)* 5579
Footnote No. 1347, *See Attachments (3)* 5583
Footnote No. 1348, *See Attachment and Footnote No. 1346 (above)* 5587, 5579
Footnote No. 1349, *See Attachments (2)* 5588
Footnote No. 1350, *See Attachments (4)* 5590
Footnote No. 1351, *See Attachments (3)* 5594
Footnote No. 1352, *See Attachments (2)* 5597
Footnote No. 1354, *See Attachments (2)* 5599
Footnote No. 1355, *See Attachments (2)* 5617
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Footnote No. 1357, *See Attachment* 5628
Footnote No. 1359, *See Attachment* 5630
Footnote No. 1360, *See Attachments (3)* 5633
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Footnote No. 1362, *See Attachments (7)* 5838
Footnote No. 1364, *See Attachments (3)* (1 of 3 not reprinted) and Footnote No. 1359 (above)* 5650, 5630
Footnote No. 1365, *See Attachment and Footnote No. 1364 (above)* 5652, 5650
Footnote No. 1366, *See Attachments (2)* (1 of 2 not reprinted) and Footnote No. 1365 (above)* 5654, 5652
Footnote No. 1367, *See Attachments (3)* (1 of 3 not reprinted) and Footnote No. 1365 (above)* 5657, 5652
Footnote No. 1368, *See Attachments (5)* 5660
Footnote No. 1369, *See Footnote No. 1364 (above)* 5630
Footnote No. 1370, *See Attachments (8)* 5665
Footnote No. 1372, *See Attachments (6)* 5673
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Footnote No. 1387, *See Attachments (6) and Footnote No. 1382 (above)* 5757, 5704
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Footnote No. 1389, *See Footnote No. 872 (above)* 4035
Footnote No. 1391, *See Attachments (2)* 5793
Footnote No. 1392, *See Footnote No. 1305 (above)* 5228
Footnote No. 1393, *See Attachments (2)* 5795
Footnote No. 1394, *See Attachments (2)* 5799
Footnote No. 1395, *See Attachments (4)* (2 of 4 not reprinted) and Footnote No. 1394 (above)* 5801, 5799
Footnote No. 1396, *See Footnote Nos. 1311 and 1388 (above)* 5255, 5785
Footnote No. 1397, *See Attachments (2) and Footnote No. 1395 (above)* 5804, 5801
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Footnote No. 1399, *See Attachments (3) and Footnote No. 872 (above)* 5810, 4035
Footnote No. 1400, *See Footnote No. 465 (above)* 2819
Footnote No. 1401, *See Footnote No. 458 (above)* 2783
Footnote No. 1402, *See Attachment* 5814
Footnote No. 1403, *See Footnote Nos. 662 and 663 (above)* 3379, 3476
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Footnote No. 1410, *See Attachment and Footnote No. 683 (above)* 5829, 3580
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Footnote Nos. 1438–1439, *See Footnote No. 415 (above)* 2655
Footnote No. 1441, *See Attachment* 5871
Footnote No. 1442, *See Footnote No. 415 (above)* 2655
67. a. Additional documents regarding POINT 5872
b. Additional documents regarding offshore trusts 6100
[*] Retained in the files of the Subcommittee.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: [redacted]
To: <info@equitydevelopers.com>
Sent: Monday, January 10, 2005 1:16 AM
Attach: Package Summary.doc
Subject: IBC

Dear Sam,

I'm ready to order a package. I have enclosed attachment file. If these info is OK then please confirm and I'll send the payment. Probably I'll send wire transfer, but on different name, therefore can you assign me a code or password which I can mention on wire transfer payment and you'll know what order is it. In wire transfer should I specify name of IBC or my exact name?

One more question re: Bank account. I have chosen Barrington bank in Atigua just becuase it not require opening deposit. The account balance in my offshore bank account will change depending on situation therefore it'll be hard to maintain certain exact balance in bank account. It's possible open an account with Close Private Bank with initial deposit of minimum $25,000 and then send some of these funds to brokerage account? It mean the bank account balance will be less then $25,000. What is minimum balance in Close Private Bank account in order to continue use it's service. I would prefer use more secured bank. Can you give me suggestion and advice. Thank you.

Regards,

[redacted](this is my short name)
Full name: [redacted]
Tel:[redacted](but I prefer email because of limited English).

>From: "Equity Development Group" <info@equitydevelopers.com>
>Reply-To: "Equity Development Group" <info@equitydevelopers.com>
>To: [redacted]
>Subject: Re: From EDG
>Date: Thu, 6 Jan 2005 17:51:53 -0600
>
>[redacted]
>
>Answers to your questions are below. Please let me know if you have any
>other questions.
>
>Thank you.
>
>Sam Congdon
>Equity Development Group
>1-800-237-5163
>214-237-2915

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 29

EDG-EML 023

>Fax: 214-722-1910
>US@Equitydevelopers.com
> ----- Original Message -----
> From: [redacted]
> To: info@equitydevelopers.com
> Sent: Thursday, January 06, 2005 1:21 AM
> Subject: RE: From EDG
>
>
> Dear Sam,
>
> Thank you for advice. I'm thinking to purchase a package. But before
>this
> have more questions:
>
> 1. As I understood my IBC will be owned by trust. I want minimum
>exposure
> but maximum control over the IBC and Tust. How can I do it?
>
> The safest and best way to do this is to have a trust own the company.
>You will have complete control over the trust and company this way.
>
> It is safe for
> me to ask EDG assign a protector? It's enough for me be just
>beneficiary?
>
> Yes, it's safe. This is what most clients do. However, we do not have
>to assign one. If you prefer to assign your own, that's fine. Having EDG
>assign a nominee is just an option we provide, not a requirement.
>
>
> Can you explain me more detailed then in web page how things will work
>in
> package option (who will own what and who will open the accounts, to
>whom
> mail be forwarded).
>
> All accounts will be opened in the name of the offshore company with you
>as the signer. Mail can be sent to the offshore address, which is then
>privately forwarded to you at any address you specify. If you have more
>questions about this, probably the best thing to do is to call me and we
>can disuss.
>
> 2. If my country (or ay country) officials or court ask detailed
>information
> regarding IBC or Trust account activities in Bank or Brokerage account
> directly from Bank or Brokerage company, will they provide such info?
>How it
> works in such cases?
>
> No, they will not provide any sort of information. The only way to get

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>an offshore bank to give out information is to get a court order in the
>bank's home country - which is virtually impossible to do. So your
>information would be private.
>
> 3. Can you suggest me the best way to send payments to EDG and in future
>to
> Bank and Brokerage accounts. I don't want my name appear in wire
>transfer,
> or my credit card statement have such records.
>
> To pay EDG, the most private way is to send money orders or use an
>online payment currency such as egold, picpay or neteller (we accept all of
>these). If you wire transfer to a bank, this is safe because the wire
>transfer will be in the name of the offshore company (your name will not
>appear on the wire transfer instructions anywhere).
>
> 4. I have learned that Belize IBC's require bearer shares hold in
>registry
> office. I think there is denger that in some cases registry office will
>show
> to officials who in owner of bearer shares. How I can be protected from
>such
> cases?
>
> No one in belize knows who owns bearer shares. They don't have anyone's
>name to give out even if they wanted to. Nevis doesn't have this
>requirement so if you would prefer then Nevis might be a better option for
>you.
>
> 5. I have learned that in 2001 Bahamas officials decided to cooperate
>and
> release to US INS the names of beneficial owners of IBC's. Luckily the
>most
> IBC owners names were Anonymous and INS get nothing, but owners of bank
> accounts were released to INS. In this case how it's safe for me
>register
> Trust in Bahamas? Maybe Nevis is more safer? Can you register Trust in
>Nevis
> in package?
>
> A trust does not have to be registered in the Bahamas - this is why it
>is safe. A Bahamas trust is a legal agreement (trust) that is written up
>so that it is under the laws of the bahamas (in case there was ever a
>dispute). But no one in the bahamas has the trust deed or anyone's names.
>We could do a nevis trust if you prefer, but this would add $1000 to the
>package price.
>
>
> 6. There is lot of attack to offshore countries lately because of
>terrorism.
> money laundering etc. How EDG can responce in such cases in order to

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>protect
> privacy of clients?
>
> The best answers i can give you on this is:
>http://www.equitydevelopers.com/rock_solid_security.asp
>
> 7. Is package include seal of company,
>
> A seal is a separate item, you can purchase one from EDG for $60.
>
>
> certificate of good standing (for
> shelf companies since first year),
>
> yes, a certificate of good standing is included with a shelf company (it
>is not necessary for a newly formed company).
>
>
> will all documents be notarized and
> appostiled?
>
> No. This is not generally necessary. We take care of certifying the
>documents for opening accounts and such (if you open an account with a bank
>we recomend).
>
> Sorry for many questions.
> Regards,
> [redacted]
>
>
> >From: "Equity Development Group" <info@equitydevelopers.com>
> >Reply-To: "Equity Development Group" <info@equitydevelopers.com>
> >To: [redacted]
> >Subject: From EDG
> >Date: Wed, 5 Jan 2005 13:05:46 -0600
> >
> >
> >Dea[redacted]
> >
> >Thank you for contacting EDG. I have pasted your questions, with my
> >answers, below. Please let me know if you have any other questions
>that I
> >can answer.
> >
> >Learned your web page. Looking to buy package (in planning center my
>pin is
> >[redacted]and here you can see my requirements). My questions are: 1. Its
> >possible to have in a package shelf IBC from you list (Internet
>Consultuncy
> >Limited or Internet Management Services Ltd)?
> >

> >Yes, it is definitely possible to have a shelf company as part of a
> >package. but it will be much more expensive. If you go to the shelf
> >company page, and click on "order" then you will go to a new page that
>will
> >give you the option to make it a package.
> >
> >Would you give some discount on such package?
> >
> >A shelf co. package is $1000 more than the cost of the shelf co.
> >
> >2. Why Bahamas IBC package is cheaper than Nevis IBC package? Becuase
>of
> >security or because of timing to set up IBC?
> >
> >Timing only. The only difference is that Nevis is faster. It is a
>"rush
> >option" so to speak.
> >
> >3. Im interesting in online trading and online banking. Are they will
>be
> >available as was in planning center questionare?
> >
> >Yes, both are available. We can set up accouts for online banking and
> >trading.
> >
> >4. What is the best IBC country for total anonimity (not
>confidentiality or
> >privacy)?
> >
> >
> >Nevis or Belize. With regards to privacy and confidentiality they are
>the
> >same.
> >
> >5. I need a lot of assistance in future, I;m new in offshore business.
>In
> >your services I cant find some services others offer. Can I ask for
>more
> >services in future? Thank you.Regards,Eric
> >
> >Sure, you can ask for anything that you need. What specifically are
>you
> >looking for in the way of extra services?
> >
> >Thank you again for contacting EDG and please do not hesitate to
>contact me
> >with any additional questions.
> >
> >Thank you.
> >
> >Sam Congdon

> >Equity Development Group
> >1-800-237-5163
> >214-237-2915
> >Fax: 214-722-1910
> >US@Equitydevelopers.com
>
>
>

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: [redacted]@alphaservicesltd.com>
To: "Equity Development Group" <info@equitydevelopers.com>
Sent: Monday, January 10, 2005 12:41 PM
Subject: Re: Shelf Companies for 2005

Yes this company has already been sold. See below our current list of shelf companies available.

Internet Management Services Ltd.	(08/06/01)
Internet Consultancy Limited	(08/06/01)
Safari Experience Limited	(04/02/03)
Otto Debit Services Inc.	(04/06/04)
DRAGON BAY LTD.	(01/01/05)
SOLITAIRE CORPORATION	(01/01/05)
CAUSEWAY LTD.	(01/01/05)
ADMIRALTY LTD.	(01/01/05)
ABERDEEN FUTURES LTD.	(01/01/05)
TYPHOON LTD.	(01/01/05)
ANLORE CORPORATION	(01/01/05)
REPULSE BAY LTD.	(01/01/05)
GLOUCESTER LTD.	(01/01/05)
GLOBAL HEIGHTS LTD.	(01/01/05)
PENINSULA LTD.	(01/01/05)
CORAL SANDS LIMITED	(01/01/05)
SkyBlue Corporation	(01/01/05)
RED ORCHID LIMITED	(01/01/05)
KOWLOON LTD.	(01/01/05)
HAPPY GARDEN LTD.	(01/01/05)
NEW ADVENTURES LIMITED	(01/01/05)
LANDMARK LTD.	(01/01/05)
PRINCESS LIMITED	(01/01/05)

[redacted]

----- Original Message -----
From: Equity Development Group
To: [redacted]
Sent: Monday, January 10, 2005 10:09 AM
Subject: Re: Shelf Companies for 2005

[redacted]

can you confirm that you have sold: MJOLNIR Trading Company Inc.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 33

EDG-EML 388

----- Original Message -----
From: [redacted]
To: Undisclosed-Recipient:;
Sent: Thursday, December 30, 2004 4:08 PM
Subject: Shelf Companies for 2005

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Dear Sir/Madam:

Please find below our list of 2005 shelf companies for your reference. Note that all these companies will be available from the 1st January, 2005.

DRAGON BAY LTD.
BLUE SEA VENTURES LTD.
STAR VENTURES LTD.
SOLITAIRE CORPORATION
CAUSEWAY LTD.
ARLON LTD.
HORIZON CAPITAL LIMITED
OPTIMUM GROUP LTD.
GOLDEN ORCHID LTD.
ADMIRALTY LTD.
ABERTDDEN FUTURES LTD.
VICTORIA PEAK LTD.
TYPHOON LTD.
ANLORE CORPORATION
REPULSE BAY LTD.
GLOUCESTER LTD.
GLOBAL HEIGHTS LTD.
PENINSULA LTD.
OMNIMAX LTD.
CORAL SANDS LIMITED
HARBOUR VENTURES LTD.
SkyBlue Corporation
RED ORCHID LIMITED
GLOBAL EXPORTS LTD.
KOWLOON LTD.
HAPPY GARDEN LTD.
NEW ADVENTURES LIMITED
LANDMARK LTD.
INTERNATIONAL REAL ESTATE LTD.
PRINCESS LIMITED

Note that only four shelf companies are available prior to 2005 and they are as follows:

2001

Internet Management Services Ltd.
Internet Consultancy Limited

2003

Safari Experience Limited

2004

Otto Debit Services Inc.

If you should have any questions, please do not hesitate to contact me.

HAPPY NEW YEAR!!!!

Kind Regards

[redacted] = Redacted by the Permanent Subcommittee on Investigations

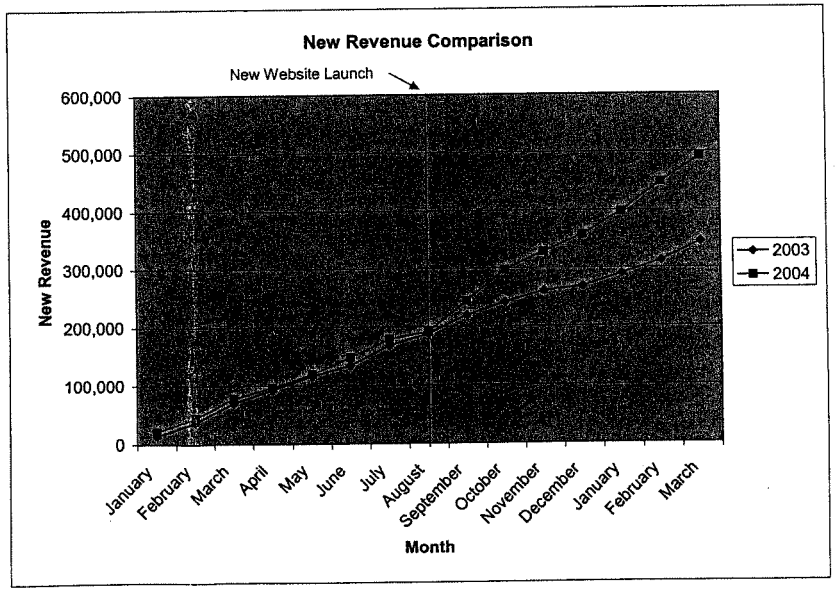
[redacted]
ALPHA SERVICES LIMITED
99 Albert Street
Belize City, Belize CA
Tel# 501-227-1847
Fax# 501-227-5278
Email: [redacted]@alphaservicesltd.com
Web: www.alphaservicesltd.com

*Associated with the Law Firm of Barrow and Williams
*Member of Belize Offshore Practitioners Association (BOPA)
*Licensed International Financial Services Provider since 1990
*Member of Belize Chamber of Commerce & Industry
*Member of Asia Pacific Offshore Institute

	january	february	march	april	may	june	july	august	september	october	november	december	January 05	February	March
2004	21,780.00	22,860.00	32,850.00	18,905.47	22,770.00	28,910.00	30,530.00	12,520.95	52,235.00	53,395.40	31,540.00	29,275.00	40,150.00	50,100.86	44,095.00
2003	13,949.33	23,050.00	32,780.00	22,780.00	23,684.44	17,780.00	33,620.00	20,370.00	31,000.00	21,960.00	19,310.00	7,650.00	21,780.00	22,860.00	32,850.00

Cumulative

	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March
2003	13,949	36,999	69,779	92,559	116,244	134,024	167,644	188,014	219,014	240,974	260,284	267,934	289,714	312,574	345,424
2004	21,780	44,640	77,490	96,395	119,165	148,075	178,605	191,126	243,361	296,757	328,297	357,572	397,722	447,823	491,918



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 34

ISLAND OF NEVIS
OFFICE OF THE REGISTRAR OF COMPANIES

CERTIFIED COPY

THIS IS TO CERTIFY that the attached document is a true and correct copy of

The Articles of Incorporation of

RSC INC.

THIS IS TO CERTIFY FURTHER that the said document was filed in this office on

7th July, 2004

Given under my Hand & Seal at Charlestown
This *07th day of July, 2004*

Registrar of Companies

CCILIM4 ***No. 25585***

ISLAND OF NEVIS
OFFICE OF THE REGISTRAR OF COMPANIES

CERTIFICATE OF INCORPORATION

I HEREBY CERTIFY that

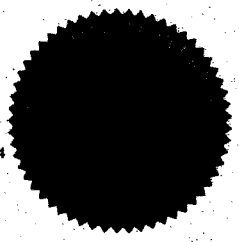
RSC INC.

is duly incorporated and has filed articles of incorporation under the provisions of the Nevis Business Corporation Ordinance 1984, as amended, on

7th July, 2004

Given under my Hand & Seal at Charlestown
This *7th* day of *July, 2004*

Registrar of Companies



IBC1M4

No. C 25585

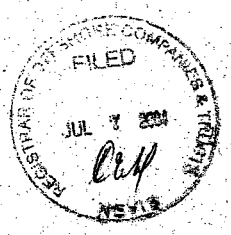
EDG-HD 026

ARTICLES OF INCORPORATION

OF

RSC Inc.

PURSUANT TO THE NEVIS BUSINESS CORPORATION ORDINANCE 1984
AS AMENDED



EDG-HD 027

NEVIS BUSINESS CORPORATION ORDINANCE 1984

ARTICLES OF INCORPORATION

For the purpose of forming a corporation pursuant to the Nevis Business Corporation ordinance 1984, the undersigned does hereby make/subscribe/acknowledge and file in the office of the Registrar of Companies this instrument for this purpose, as follows:

1. The name of the corporation shall be

RSC Inc.

2. The registered address of the corporation shall be **Suite 4 Temple Building, Main & Prince William Streets, Charlestown, Nevis.** The corporation's registered agent at this address shall be **IFG Trust Services Inc.**

3. The aggregate number of shares that the corporation is authorized to issue is One Hundred Thousand (100,000) registered and/or bearer shares, with par value of 1 US dollar each.

   The holder of a stock certificate issued in the name of the owner may cause such certificate to be exchanged for another certificate to bearer for a like number of shares, and the holder of a certificate issued to bearer may cause such certificate to be exchanged for another certificate in his name for a like number of shares.

4. The corporation shall have as its principal purpose the right to engage in any lawful act of activity for which corporations may now or hereafter be organized under the Nevis Business Corporation Ordinance 1984

5. The Corporation shall have every power which a Corporation now or hereafter organized under the Nevis Business Corporation Ordinance 1984 may have.

The name and address of each incorporator
and subscriber of these Articles is

NAME	ADDRESS	NUMBER OF SHARES SUBSCRIBED
IFG Trust Services Inc	Suite 4 Temple Building Main & Prince William Streets Charlestown, Nevis	One

IN WITNESS WHEREOF, I have executed this instrument on this 7th day of July 2004.

Daniel MacMullin, B.A., LL.B
Director, IFG Trust Services Inc.

IFG Trust Services Inc.

Suite 4 Temple Building, Main & Prince William Streets, Charlestown, Nevis

DESIGNATION AND ACCEPTANCE OF REGISTERED AGENT

WHEREAS: Under the provisions of Section 17 (1), of the Nevis Business Corporation Ordinance 1984, as amended, corporations formed under that Ordinance are required to designate a Registered Agent, and failure to maintain a Registered Agent shall result in the involuntary dissolution of the corporation under Section 99(1);

WHEREAS: IFG Trust Services Inc. is duly licensed by the Island of Nevis Government to act as Registered Agent and meets the requirements of Section 17(1) of the Nevis Business Corporation Ordinance 1984; and

WHEREAS: RSC Inc.
in order to comply with the provisions of the Ordinance, has designated IFG Trust Services Inc. its Registered Agent;

THEREFORE: IFG Trust Services Inc. hereby accepts designation as Registered Agent for the above named corporation as of the date set forth below

Daniel MacMullin, B.A., LL.B
Director, IFG Trust Services Inc.
July 7, 2004

EDG-HD 030

CERTIFICATE OF NOTARY PUBLIC

Island of Nevis **July 7, 2004**

Town of Charlestown

On this date before me personally came Daniel MacMullin know to me to be the individual described in and who executed the foregoing Articles of Incorporation of

RSC Inc.

In accordance with the provisions of Section 4 of the Nevis Business Corporation ordinance 1984 and he duly acknowledged to me that the execution thereof was his act and deed, and I do now set my hand and seal in witness of these acts in accordance with the provision of the same Section of the Ordinance.

Notary Public

Companies Regulation

Form 26

COMPANIES ORDINANCE OF NEVIS

REQUEST FOR NAME SEARCH AND NAME RESERVATION

1. Name, address and telephone number of person making request:

   IFG Trust Services Inc. Suite 4 Temple Building, Main & Prince William Streets, Charlestown, Nevis

   Telephone No. 869 469 7040

2. Proposed name or names in order of preference:

   (a) RSC Inc.

   (b) _____

3. Main types of business the Company carries on or proposes to carry on

   (a) Offshore Holding Company

4. Derivation of Names

   _____

5. First available name to be reserved Yes ...√..... No .....

6. Name is for

   Nevis Business Corporation

7. If for a change of name, state present name of Company

   NA

8. If for amalgamation, state names of amalgamating Companies

RSC Inc.

NOTICE IS HEREBY GIVEN that the first meeting of the Incorporator and the Board of Directors of the above Company, incorporated under the provisions of the **Nevis Business Corporation Ordinance 1984, as amended** of the Laws of Nevis, will be held at Suite 4, Temple Building, Prince William and Main Street, Charlestown, Federation of St Kitts & Nevis on Thursday the 8th day of July, 2004.

AGENDA

1. To appoint a Chair of the meeting.
2. To receive a report on the incorporation of the Company.
3. To appoint Director of the Company
4. To appoint officers of the Company
5. To determine the location of the Registered Office of the Company.
6. To approve and adopt a form of share certificate and corporate records.
7. To adopt bye-laws of the Company
8. To state business of the Company
9. Subscriber's share
10. To Issue Share Certificate
11. Any other business.

Dated July 8, 2004

Footnote 38

RSC Inc.

MINUTES of the first Meeting of the Incorporator and the Board of Company, incorporated under the provisions of the **Nevis Business C 1984, as amended** of the Laws of Nevis, held at Suite 4, Temple Build Main Street, Charlestown, Federation of St Kitts & Nevis on Thursday 2004.

PRESENT:

Carol Ann English
Samuel Congdon
IFG Trust Services Inc.

CHAIRMAN:

It was resolved that Ms Carol Ann English be appointed Chairman of the meeting, and he duly took the chair.

REPORT ON THE INCORPORATION:

The Chairman reported that the Company had been incorporated on 7th day of July 2004. Copies of the Certificate of Incorporation and Articles of Incorporation were reviewed.

APPOINTMENT OF DIRECTORS

The Incorporator, IFG Trust Services Inc. appoints **Samuel Congdon** as Director of the company. This office will be held from the date of appointment until such time as removed by resolution or Law.

Samuel Congdon acknowledge and accepted the appointment.

APPOINTMENT OF FIRST OFFICERS OF THE COMPANY

It was resolved that the following be appointed as the first officers of the Company:

Samuel Congdon	**- President**
Samuel Congdon	**- Secretary**

REGISTERED OFFICE

It was resolved that the Registered Office of the Company be confirmed as situated at Suite 4, Temple Building, Main & Prince William Street, Charlestown, Nevis, West Indies.

The Chairman reported that Notice of these offices being the Registered Agent for the Company has been filed with Nevis Financial Services.

FORM OF SHARE CERTIFICATE AND RECORDS

It was resolved that the form of certificate for shares in the Company which is annexed hereto as Appendix "A" be and is hereby approved and adopted.

It was resolved that the certificates in the Company be signed on behalf of the Company by the Director with the Secretary

BYE-LAWS

It was resolved that the By-laws annexed as Appendix "B" and signed by the Director be and are hereby approved and adopted.

BUSINESS OF THE COMPANY:

It was resolved that the company commences business as an Investment Holdings and Trading Company.

SUBSCRIBER SHARE

It was resolved that the subscribers share held by IFG Trust Services Inc. be transferred to **Samuel Congdon.**

ISSUANCE OF SHARE CERTIFICATE

It was resolved that Share Certificate #001 be issued in the name Samuel Congdon..

OTHER BUSINESS

It was resolved that there being no further business the meeting be adjourned.

Signed by the Chairman as a true record this 8th day of July 2004.

Carol Ann English
Chairman

Samuel Congdon
Director

TRANSFER OF SUBSCRIBERS RIGHTS

For Value received, IFG Trust Services Inc. a Nevis Corporation with business office at Suite 4, Temple Building, Prince William and Main Streets, Charlestown, Federation of St Kitts Nevis, have sold, transferred and assigned, and by these presents do hereby sell transfer and assign unto **Samuel Congdon** of **6060 N Central Expressway, Suite 560, Dallas, TX 75206, USA** rights and interest vested as subscribers to One Share each of US$1.00 of the common stock of **RSC Inc.** a corporation organized under the Nevis Corporation Ordinance 1984, as amended, Reg. No.C25585

Dated Thursday 8th day of July, 2004.

IFG TRUST SERVICES INC. CORPORATE SEAL NEVIS

Signed by Carol Ann English
IFG Trust Services Inc.

Witness to Transferor's signature
Kellee France

Accepted by Transferee
Samuel Congdon

APPENDIX B

By-laws

of

RSC Inc.

a Corporation Formed Under the
Nevis Business Corporation Ordinance 1984,
As amended (the "Ordinance")
as Adopted on

July 8, 2004

ARTICLE 1

OFFICES

The registered office of the Corporation shall be located at Charlestown, Nevis.

The Corporation may have such office or offices at such other places outside of Nevis as the Board of Directors may designate or the business of the Corporation may require from time to time

ARTICLE II

SHAREHOLDERS

Part 1. **Annual Meeting:** The annual meeting of the shareholders shall be held on a date and time to be determined by the Board of Directors at the registered office of the Corporation listed in Article I hereof or at such others time, on such other day or at such other place as the Board of Directors may fix for the purpose of electing Directors and of transacting such other business as may properly come before the meeting.

Part 2. **Special Meetings:** Special meetings of shareholders may be called for any purpose or purposes unless otherwise prescribed by statue at any time by the President or Managing Director. Special meetings of the shareholders must be called (a) by any officer when ordered by the Board of Directors or (b) by the President, Managing Director, Secretary or Assistant Secretary whenever requested in writing to do so by

shareholders owning at least one-tenth of all the outstanding shares of the Corporation entitled to vote at such meeting. If call pursuant to subsection (b) above, the request shall state the purpose or purposes of the proposed special meeting and the officer calling the meeting shall schedule the meeting within the time specified in the Ordinance. Special meetings shall be held at such place and on such date and time as may be designated in the notice thereof by the officer of the Corporation calling any such meeting. If no place is so designated, it shall be at the registered office of the Corporation listed in Article I hereof. The business transacted at any special meeting shall be limited to the purposes stated in the notice and any matters incidental thereto.

Part 3. **Notice of Meeting to Shareholders of Record:** Notice in writing of every annual and special meeting of shareholders, other than any meeting the giving of notice of which is otherwise prescribed by law, shall state the date, hour and place thereof, and in the case of special meetings, the name of the person or persons at whose direction the notice is being issued and the purpose of the meeting. Such notice shall be in writing and given personally or sent by mail, telegraph, cablegram, telex, teleprinter or other written transmission at least fifteen but not more than sixty days before the date of the meeting, to each shareholder of record entitled to vote at such meeting and to each shareholder of record who, by reason of any action proposed at such meeting would be entitled to have his shares appraised if such action were taken. If mailed, notice shall be deemed to have been delivered when deposited in the mail, postage prepaid and directed to the shareholder at his address as it appears on the record of shareholders of the Corporation or at such other address which the shareholder has notified to the Secretary. Notice of a meeting need not be given to any shareholder who submits a signed waiver of notice, whether before or after meeting, or who attends the meeting without protesting prior to the conclusion thereof the lack of notice to him.

Part 4. **Notice of Shareholders' Meetings and other Actions to Holders of Bearer Shares:** Written notices of shareholders' meetings and notices of other actions shall be given to holders of bearer shares in one of the following manners: (a) by delivery or by mail to any bearer shareholder whose address or whereabouts is known to the Corporation, or (b) to any bearer shareholder, in person, who displays or produces the share certificate to an authorized representative of the corporation, or (c) to any bank, brokerage firm or other financial institution which is known by the Corporation to be a custodian of bearer certificates or, if notice cannot be given in the manner provided under (a), (b) or (c), then by publication in a newspaper of wide circulation in the country of presumed residence of bearer shareholders. If mailed, notice shall be deemed to have been delivered when deposited in the mail, postage prepaid and addressed to the shareholder in accordance with the provisions of this Part 4. Notice of a meeting need not be given to any shareholder who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting prior to the conclusion thereof the lack of notice to him.

Part 5. **Quorum:** Unless otherwise provided by the Ordinance, at any meeting of shareholders a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum. If a quorum is not present, a majority of those shares present,

in person or by proxy, shall have power to adjourn any meeting until a quorum shall be present. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders and any such withdrawing shareholders shall be counted in determining the number of shares represented at such meeting.

Part 6. **Voting:** Providing a quorum is present, and unless otherwise expressly provided by the Ordinance, the affirmative vote of a majority of the shares of stock represented at the meeting shall be the act of the shareholders. At any meeting of shareholders each shareholder entitled to vote any share shares on any matter to be voted upon at such meeting shall be entitled to one vote on such matter for each share, and may exercise this voting right either in person or by proxy. Any action permitted or required to be taken at a meeting may be taken without such meeting provided a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Part 7. **Fixing of Record Date:** For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or adjournment thereof, or shareholders entitled to receive payment of any dividend, or for any other proper purpose, the Board of Directors may fix a time (the "Record Date"). The Record Date shall be not more than sixty nor less than fifteen days prior to (a) the date of any meeting of shareholders, or (b) the last day on which the consent or dissent of shareholders may be expressed for any purpose without a meeting. The Record Date shall be the time as of which shareholders entitled to notice of and to vote at such a meeting (or whose consent or dissent is required or may be expressed) shall be determined, and all persons who were holders of record of voting shares at the Record Date shall be entitled to notice of and to vote at such meeting (or to express their consent or dissent, as the case may be). The Board of Directors may fix a time not exceeding sixty days preceding the date fixed for the payment of any dividend, the making of any distribution, the allotment of any rights or the takings of any other action, as a Record Date for the determination of the shareholders entitled to receive any such dividend, distribution, or allotment or for the purpose of such other action.

Part 8. **Proof of Bearer Shareholder's Status in General and at Shareholders' Meetings:** A holder of bearer shares shall establish his status as shareholder for any purpose, including attendance and voting at shareholders' meetings but not including payment of dividends, in one of the following manners: (a) by presenting or producing the share certificate or (b) by depositing the share certificate in a bank, brokerage firm or other financial institution, as shall be specified in a notice to bearer shareholders, and producing an instrument to that effect executed by an officer of such institution or (c) in such other manner stated in a notice to bearer shareholders which shall adequately establish the status of bearer shareholders to the satisfaction of the authorized officers of the Corporation. For payment of dividends, a bearer shareholder shall establish his status in the manner set forth in Article VII, Part 2 of these bylaws.

Part 9. **Proxy of Shareholders:** A shareholder may act by proxy in accordance with Section 65 of the Ordinance or any successor thereto.

ARTICLES III

DIRECTORS

Part 1. **Number and Qualifications:** The business affairs of the Corporation and all corporate powers shall be managed by a Board of Directors consisting of such number of Directors as are determined by a resolution of the shareholders or a resolution of the Board of Directors. The number of Directors may be changed from time to time by a resolution of the shareholders or a resolution of the Board of Directors; provided, however, that the entire Board shall consist of not less than three Directors unless all shares of the Corporation are held by fewer than three shareholders, in which case the number of Directors may not be fewer than the number of shareholders. Directors may be natural persons, or corporations, of any nationality and need not be residents of Nevis or shareholders of the Corporation.

Part 2. **Alternate Directors:** At any annual shareholders' meeting, the shareholders may elect a person or persons to act as Directors in the alternative to designated persons elected as Directors of the Corporation (hereinafter referred to as "Alternate Director") or may authorize the Directors for the time being in office to appoint such Alternate Directors and any person so appointed shall have all the rights and powers of the Director for whom he is appointed in the alternate, save that he shall not be entitled to attend and vote at any meeting of the Directors otherwise than in the absence of such Director. Where an Alternate Director has been appointed for any Director, such Director shall promptly notify such Alternate Director of the time and place of any meeting which such Director will not attend. Unless otherwise provided in the resolution appointing each Alternate Director, where an Alternate Director and a proxy for the same Director are both actively assuming rights of such Director, the status of proxy shall be superior.

Part 3. **Election of Directors:** Except as otherwise provided in the Ordinance or in these bylaws, the Directors (other than the first Board of Directors if named in the Articles if Incorporation or appointed by the incorporators) shall be elected at each annual meeting of shareholders. Each Director and Alternate Director, if any, shall be elected to serve until the next annual meeting of shareholders and until his successor shall have been duly elected and qualified except in the event of his death, resignation, removal or the earlier termination of his term of office.

Part 4. **Removal:** Any one of all of the Directors and Alternate Directors, if any, may be removed with or without cause by a vote of the shareholders. Any Directors or Alternate Directors may be removed for cause by action of the Board.

Part 5. **Vacancies:** All vacancies occurring by death, resignation, creation of new directorships, failure of the shareholders to elect the whole Board at any annual election

of Directors or for any other reason, except removal without cause, may be filled either by the vote of a majority of the remaining Directors, although less than a quorum, at any regular meeting of the Board or a special meeting called for that purpose, or by vote of the shareholders. Vacancies occurring by removal of Directors or Alternate Directors without cause may be filled only by vote of the shareholders.

Part 6. **Regular Meetings**: Regular meetings of the Board of Directors may be held without notice if the time and place thereof are designated by resolution of the Board in advance of such meetings and if any Directors and Alternate Directors, if any, not present when such resolution is passed are given notice of the resolution. Any proper business may be transacted at any regular meeting.

Part 7. **Special Meetings**: Special meetings of the Board of Directors may be called from time to time by the President or the Managing Director, or by any other officer of the Corporation who is also a Director. In addition, the President or the Managing Director or the Secretary shall promptly call a special meeting of the Board upon written request directed to any of them by any two Directors, which request must state the purpose of such special meeting. Special meetings of the Board shall be held on such date, at such time and place and for such purpose as may be designated in the notice thereof by the officer calling the meeting pursuant to this Part.

Part 8. **Notice of Special Meetings:** Notice in writing of the date, time and place of any special meeting of the Board of Directors shall be given to each Director at least forty-eight hours prior to such meeting, unless the notice is delivered in person, in which case it shall be given at least twenty-four hours prior to such meeting. For the purpose of this section, notice shall be deemed to be duly given to a Director if given to him personally or if such notice be delivered to such Director by mail, telegraph, cablegram, telex, teleprompter or other written communication to his last known address. Notice of a meeting need not be given to any Director who submits a signed waiver before or after the meeting, or who attends the meeting without protesting, prior to the conclusion thereof, the lack of notice to him.

Part 9. **Quorum:** A quorum for transaction of business shall consist of a majority of the entire Board of Directors, present in person or by Alternate Director or proxy or conference telephone or video.

Part 10. **Voting:** The vote of the majority of the Directors, present in person or by Alternate Director or proxy or conference telephone or video, at a meeting at which quorum is present shall be the act of the Directors. Any action required or permitted to be taken at a meeting may be taken without a meeting if all Directors or their proxies consent thereto in writing. Alternate Directors may not act as Directors for the purpose of taking action without a meeting unless they also have a written proxy from the Director for whom they are acting.

Part 11. **Compensation of Directors and Members of Committees:** From time to time the Board may, in its discretion fix the amounts which shall be payable to its members, to Alternate Directors and to members of any committee, for attendance at the meetings of the Board, or of such committee, and for services rendered to the Corporation.

Part 12. **Proxy or Director:** Any Director or Alternate Director may appoint a proxy by an instrument in writing to act in his behalf for the purpose of exercising his powers and duties.

ARTICLE IV

COMMITTEES

Part 1. **Executive Committee and Other Committees:** The Board of Directors may, by resolution passed a majority of the entire Board, appoint from among its members an executive committee, which shall have, to the extent provided in said resolution or resolutions and permitted by law, the powers of the Board of Directors in the management of the business and affairs of the Corporation and may have the power to authorize one of its members or any corporate officer or agent to affix the seal to any corporate documents or instruments. In addition, the Board of Directors may, by resolution passed by a majority of the entire Board, appoint from among its members other committees, each of which shall perform such functions and have such authority and powers as shall be delegated to it by said resolution or resolutions, except that only the executive committee may have and exercise the powers of the Boards of Directors. Members of the executive committee and any other committee shall hold office for such period ad may be prescribed by the vote of a majority of the entire Board of Directors. Committees may adopt their own rules of procedure and may meet at predetermined times or on such notice as they may from time to time determine. Each committee shall keep a record of its proceedings and report the same to the Board when required. Alternate Directors may not be appointed to such committees, but may act for the Director for whom they are an alternate in exercising the powers and duties of such Director if such Director is not available in person or by proxy and if such Alternate Director is not specifically prohibited from so acting by a properly adopted resolution of the Board of Directors of the shareholders.

ARTICLES V

OFFICERS

Part 1. **Election and Removal:** The Board of Directors shall elect as officers (a) a President, Secretary and Treasurer, or (b) a Managing Director and Secretary, and (c) such other officers as it may deem desirable or necessary to carry on the business of the Corporation. Officers may be of any nationality and may be, but are not required to be, citizens or residents of Nevis. The Managing Director is required to be a Director. Any other officers may be, but are not required to be, Directors. All officers must be natural persons except the Secretary, which may be a corporation. Any two or more officers may be held by the same person.

The Officers shall be elected annually by the Board of Directors at its first meeting following the annual election of Directors or as soon thereafter as possible. The salaries of officers, if any, and any other compensation paid to them shall be fixed from time to time by the Board of Directors. Each officer shall hold office until the first meeting of the Board of Directors following the next annual election of Directors and until his successor shall have been duly elected and qualified, except in the recent of the earlier termination of his term of office through death, resignation, removal or otherwise. Any officer may be removed by the Board at any time with or without cause and without notice or hearing. Any vacancy in an office or any newly created office may be filled or the next unexpired portion of the term of such office by the Board of Directors at any regular or special meeting.

Part 2. **President or Managing Director**: The President or Managing Director shall be the chief executive officer of the Corporation, and shall be responsible for the general management of the affairs of the Corporation and shall have the powers and duties usually incident to such office, except as specifically limited by appropriate resolution of the Board of Directors. He shall also have such other powers and perform such other duties as may be assigned to him by the Board of Directors. He shall preside at all meetings of shareholders at which he is present and, if he is a Director, at all meetings of the Directors.

Part 3. **Treasurer:** The Managing Director or, if there shall be no Managing Director, the treasurer shall be responsible for the care and custody of the funds, securities, and other valuable effects of the Corporation and shall cause the same to be deposited in the name of the Corporation in such depositories as the Board of Directors may designate. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall have supervision over the accounts and all receipts and disbursements of the Corporation, shall render or cause to be rendered financial

statements of the Corporation whenever required by the board, shall have the powers and perform the duties usually incident to the office of Treasurer, and shall have such other powers an perform such other duties as may be assigned to him by the Board of Directors.

Part 4. **Secretary:** The Secretary shall act as Secretary of all meetings of the shareholders and, if he is a Director, at all meetings of the Board of Directors at which he is present and shall record the minutes of all proceedings in a book kept for that purpose. He shall be the custodian of the corporate records and the corporate seal and shall have all powers and duties usually incident to the office of the Secretary and such other powers and duties as may be assigned to him by the Board of Directors. If the Secretary is a Corporation, the duties of the Secretary may be carried out by any duly authorized representative of such corporation.

Part 5. **Other Officers:** Officers other than those treated in Sections 2 through 4 of this Article shall exercise such powers and perform such duties as may be assigned to them by the Board of Directors.

Part 6. **Bond**: The Board of Directors shall have power, to the extent permitted by law to require any officer, agent or employee of the Corporation to give bond for the faithful discharge of his duties in such form and with such surety or sureties as the Board of Directors may deem advisable.

ARTICLE VI

SHARE CERTIFICATE

Part 1. **Form and Issuance**: The shares of the Corporation shall be represented by certificates issued in numerical order and meeting the requirements of the Ordinance and the Articles of Incorporation and approved by the Board of Directors. Certificates shall be signed by (a) the President, Managing Director, or a Vice-President, and (b) by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer. These signatures may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee.

Part 2. **Transfer:** The Board of Directors shall have power and authority to make such rules and regulations not inconsistent with the Articles of Incorporation or the Ordinance as they may deem expedient concerning the issuance, registration and transfer of certificates representing shares of the Corporation's stock, and may appoint transfer agents and registrars thereof.

Part3. **Loss of Stock Certificates:** The Board of Directors may direct a new certificate of stocks to be issued in place of any certificate theretofore issued by the

Corporation which is alleged to have been lost or destroyed, upon the submission of an affidavit to that effect by the person claiming ownership of the lost or destroyed certificate. When authorizing such issuance of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate to give the Corporation a bond in such form and for such sum as the Board may direct to indemnify the Corporation against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

ARTICLE VII

DIVIDENDS

Part 1. **Declaration and Form:** Dividends may be declared in conformity with law by, and at the discretion of, the Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, stock or other property of the Corporation.

Part 2. **Payment of Dividends to Holders of Bearers Shares:** Dividends shall be paid to holders of bearer shares in one of the following manners: (a) by milk to any bearer shareholder whose address is known to the Corporation, or (b) in person to any bearer shareholder who displays or produces the share certificate to an authorized representative of the Corporation, or (c) to any bank brokerage firm or other financial institution which is known by the Corporation to be a Custodian of bearer certificates, or (d) to any person surrendering to the Corporation bearer coupons, if any, attached to the bearer share certificates, or (e) in any other manner satisfactory to the authorized officers of the Corporation which shall adequately assure payment of the dividends to bearer shareholders, including but not limited to the establishment of escrow accounts for dividends payable to bearer shareholders whose addresses are unknown.

ARTICLE VIII

CORPORATE SEAL

Part 1. The Seal of the Corporation, if any, shall bear the name of the Corporation and such other appropriate legend as the Board of Directors may from time to time determine. The corporate seal may be affixed by any officer or agent of the Corporation who is properly authorized by the Board of Directors to do so, including any properly authorized member of a committee formed under Article IV, part 1 of these bylaws.

ARTICLE IX

FISCAL YEAR

Part 1. The fiscal year of the Corporation shall be such period of twelve consecutive months as the Board of Directors may by resolution designate.

ARTICLE X

AMENDMENTS TO BYE-LAWS

Part 1. **By the Shareholders:** These bye-laws may be amended, added to, altered or repealed or new bye-laws may be adopted, at any meeting or shareholders of the Corporation at which a quorum is present by the affirmative vote of the holders of a majority of the shares represented at such meetings; provided, however, that notice that an amendment is to be considered and acted upon is inserted in the notice or waiver of notice of said meeting.

Part 2. **By the Directors:** If the Articles of Incorporation or bye-law adopted by the shareholders so provide, these bye-laws may be amended, added to, altered or repealed, or new bye-laws may be adopted, at any regular or special meeting of the Board of Directors by the affirmative vote of a majority of the entire Board, subject, however, to the power of the shareholders to alter, amend or repeal any such bye-law.

ARTICLE XI

INDEMNIFICATION

The Corporation shall indemnify any person serving as a Director or officer of the Corporation to the full extent permitted or required in Section 56(1), (20 or (3) of the Ordinance or any successor to such Section.

RESOLUTIONS OF THE BOARD OF DIRECTORS

OF

RSC Inc.

(Hereafter referred to as "The Company")

A Nevis International Business Company

I, the undersigned, being all of the Directors of The Company, having met and discussed the business herein set forth, have unanimously

RESOLVED that Samuel Congdon resign his position as Director and further resign any and all offices or positions within The Company (including but not limited to President, Treasurer, Secretary, etc.).

It is further RESOLVED that the share certificate(s) in the name of Samuel Congdon be dissolved and destroyed and that a new share certificate be issued in Bearer Share form such that the bearer (possessor) of the share certificate becomes its lawful owner.

It is further RESOLVED that Albert Davis be and is hereby duly appointed as the Director of The Company.

It is further RESOLVED that share certificates in The Company may henceforth be signed on behalf of The Company by only the Director of The Company.

There being no further business, the Meeting then terminated.

DATED this 14th day of July, 2004.

Samuel Congdon - Director

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Thursday, May 12, 2005 11:35 AM
Subject: From EDG

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

My father (who is incarcerated) deeded his property all assets over to me. I have liquidated what I could and want to put the money where law suits family members cant attach them. Is Offshore personal account what I should do? There will most likely be civil suits if my father is convicted, however he is 83 yrs old and probably will not live long enough to the end.

An offshore structure will keep your assets safe from lawsuit issues. You are correct. However, given your situation, you might want to speak with your attorney and advise him that you are taking some steps to protect your assets (you don't have to mention the word "offshore") and make sure that at this stage of the game you aren't doing anything that could cause you problems. But like I said, having an offshore structure in place such as EDG's Complete Offshore Package www.equitydevelopers.com/order will protect your from lawsuits and from relatives being able to take your property and funds away.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Friday, July 08, 2005 3:30 PM
Subject: From EDG

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

Dear EDG Representative,I am a physician in the US and have an IBC in the British Virgin Islands (incorporate in 3/04). However, I do not have any banking or investment accounts opened in the IBC. I'm looking to open a safe none-US (foreign) account in the name of my IBC to protect my assets from aggressive American lawyers and others. The bank account should be at a secure well established institution with ATM and Visa or MC in the name of the IBC. Also, with easy access to my money should I need it. My initial investment would likely be about $40K with monthly deposits of about $20K. I am also interested in foreign investments (mutual funds, etc.) that will be in the name of my IBC. Currently I have no lawsuits pending but as my assets grow I'm sure I will become a more attractive target for American lawyers, I've seen several colleges wiped out by our crazy American legal system. Anyway, please send any information you may have that you think would be appropriate for my situation. I look forward to developing a long term relationship with your institution. Thank you.Regards, Mark Stout

I think that the Bank of St. Lucia would be a good option for you. I will paste some information about the bank below.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

Bank of St. Lucia International

Location: St. Lucia
Minimum Opening Deposit: $5,000

= Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Friday, May 20, 2005 6:30 PM
Subject: From EDG

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

I have an inheritance that I want to set up a trust for. The check is made out to me and dated middle of April 2005. I do not want to deposit the check into any bank account in the US as my greedy former wife and her new husband would try to make problems for me.The money is legit and mine. I want to purchase property in Belize from the trust, and have an bank account in Belize. I also need counsel on having access to some of the money when I need it in the US. I need to do this soon as I am traveling to Belize on June 14th. Thank you for responding quickly.

Well, offshore banks don't like checks. If you can get the writer of the check to send you the money by wire, the we can set up an offshore account into which you can put your funds and then you can use them do buy property or do whatever you want. If that will work for you, please let me know.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 44

Footnote 48
63

]

From: "Equity Development Group" <info@equitydevelopers.c
To: [redacted]
Sent: Thursday, April 21, 2005 11:04 AM
Subject: Re: misc

ideas: for one, offshore accounts are opened up without SS or TIN n
they can't use it to hijack your offshore account. Also, offshore accou
is FAR easier to hijack a US account b/c all you have to have is an a
domestic check. Offshore banks don't have routing numbers - they n
different ball of wax. plus, there are internal controls that someone c
requirement for the bank to call them (the client) prior to sending mor
of identity theft, offshore accounts are many times safer than US acc

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

---- Original Message ----
From: [redacted]
To: 'Equity Development Group'
Sent: Wednesday, April 20, 2005 5:29 PM
Subject: misc

Great.
No questions yet....but I am re-examining it tonight and will have more questions.
I would really like to be able to show how an offshore account might help protect from identity theft.
Sure, of course, that might not be the ultimate use of the client, but it gives a very logical and defendable "reason" for it without having to discuss "hiding" assets (or tax issues...which I know you don't mention anyway, thankfully.)

I am going to research that some.

My first thoughts are that the primary place those SS#s and CC#s are stolen are in the mail, or online, or when the card is used. The problem is it might actually go the other way, because if the account is onshore, there are more built-in customer services in the case the account info has been stolen.

Do you have any ideas? I would really like to roll-out an "identity theft protection" package.

[redacted]
Doheny Partners, LLC
A PROFESSIONAL MANAGEMENT COMPANY
(214) 208-2148
fax: (972) 692-6982
[redacted]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 48

EDG-EML 229

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Tuesday, April 19, 2005 7:23 PM
Subject: Re: From EDG

You cannot save taxes by going offshore. that is really more like an urban legend. Offshore is good for protection of assets. But for US citizens there really aren't any tax advantages.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

---- Original Message ----
From: [redacted]
To: info@equitydevelopers.com
Sent: Tuesday, April 19, 2005 6:21 PM
Subject: RE: From EDG

ok, so how do you save on taxes, having an offshore account and living in the usa and reporting your income to the irs? What is the differences in savings? from an offshore account and an account here in the usa, when you still have to report your earned income for the year to the IRS because a resident of usa?

If its legal 100% and can save alot of money I am definitely in. I plan to put over 100,000 usd.

>From: "Equity Development Group" <info@equitydevelopers.com> >Reply-To: "Equity Development Group" <info@equitydevelopers.com> >To: [redacted] >Subject: From EDG >Date: Tue, 19 Apr 2005 17:55:18 -0500 > > >[redacted] >Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer. > >how is this legal? IRS says if live in usa and have an offshore account and dont report earnings you are facing jail time and big fines. > >Having an offshore account is perfectly legal for US citizens. Failing to follow reporting requirements is not legal. Offshore accounts are fine, so long as you follow the proper reporting requirements. > >Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions. > >Thank you. > >Sam Congdon >Equity Development Group >1-800-237-5163 >214-237-2915 >Fax: 214-722-1910 >US@Equitydevelopers.com

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 50

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Wednesday, March 23, 2005 2:38 PM
Subject: From EDG

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

I am interested in the tax shelter and offshore bank account represents.Questions:? Is this account subject to US Tax?Is this a US Income Tax traceable income?Please tell me how this works.I look forward to your reply.Respectfully [redacted]

EDG actually doesn't give tax advice. I can however, refer you to a CPA who can if you would like.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Monday, August 08, 2005 12:00 PM
Subject: From EDG

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

Hello.. I am interested in finding ways to limit taxability, liability and protection of assets. Although I am not wealthy, I wish to protect what I do have and am growing. I have a small business that I intend to grow and would like to know all the benefits of an offshore account. Does it apply to my current investments, ie mutual funds Ira money market etc.. can I put my house into it ? these types of questions... thank you for your understanding. [redacted]

You can put your real estate and investments and such into an offshore structure, as well as your business earnings. You can't actually transfer a 401K directly into an offshore account - you would have to cash the 401k in first.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

OFFSHORE INVESTMENTS

Equity Development Group

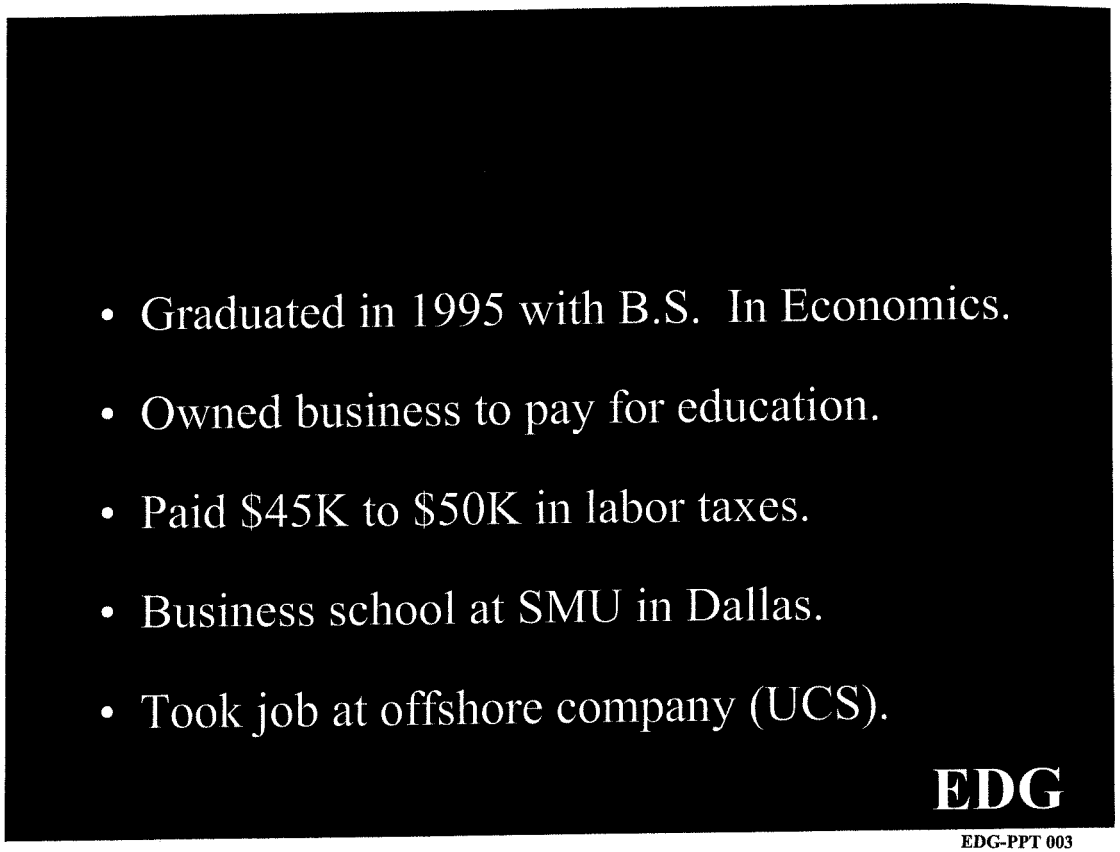
Dallas, USA Nassau, Bahamas

EDG

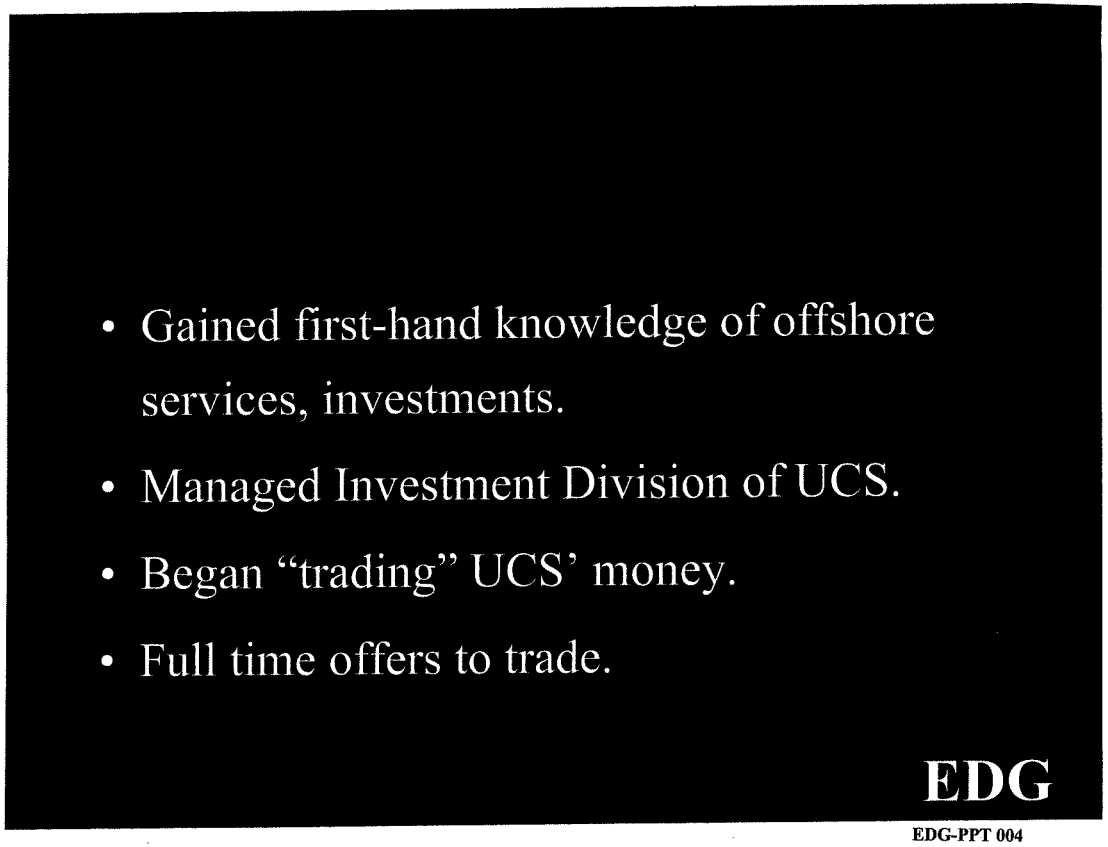
AGENDA

- Background & Qualifications
- Mission Statement
- Offshore Investing
- Client Services

EDG


• Graduated in 1995 with B.S. In Economics.
• Owned business to pay for education.
• Paid $45K to $50K in labor taxes.
• Business school at SMU in Dallas.
• Took job at offshore company (UCS).
EDG

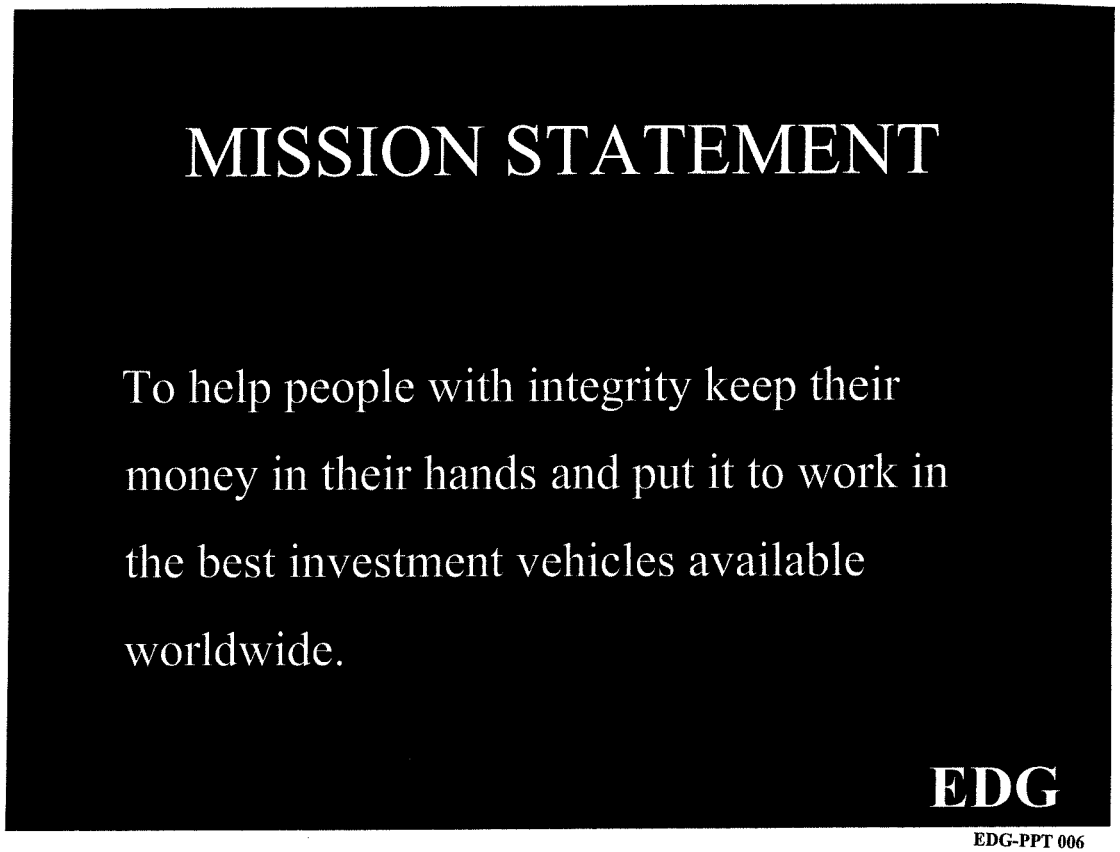
EDG-PPT 003


• Gained first-hand knowledge of offshore services, investments.
• Managed Investment Division of UCS.
• Began "trading" UCS' money.
• Full time offers to trade.
EDG

EDG-PPT 004


QUALIFICATIONS
OFFSHORE
• Set up 350 - 400 clients offshore.
• Extensive knowledge of offshore investments, brokerages….
INVESTING
• SMU MBA, investments concentration.
• Full time offers to trade.
• Investment Advisory Board.
• 100+ years experience, $15 Billion managed.
EDG

EDG-PPT 005


MISSION STATEMENT
To help people with integrity keep their money in their hands and put it to work in the best investment vehicles available worldwide.
EDG

EDG-PPT 006

EDG-PPT 007

POWER OF OFFSHORE

Money Market: US = 4%, 20% Tax Rate, Offshore = 5.4%

Year	US	Offshore
	1,000,000	1,000,000
1	1,032,000	1,049,950
2	1,065,024	1,102,395
3	1,099,105	1,157,460
4	1,134,276	1,215,275
5	1,170,573	1,275,978
		$ 105,405

62% Greater Return !

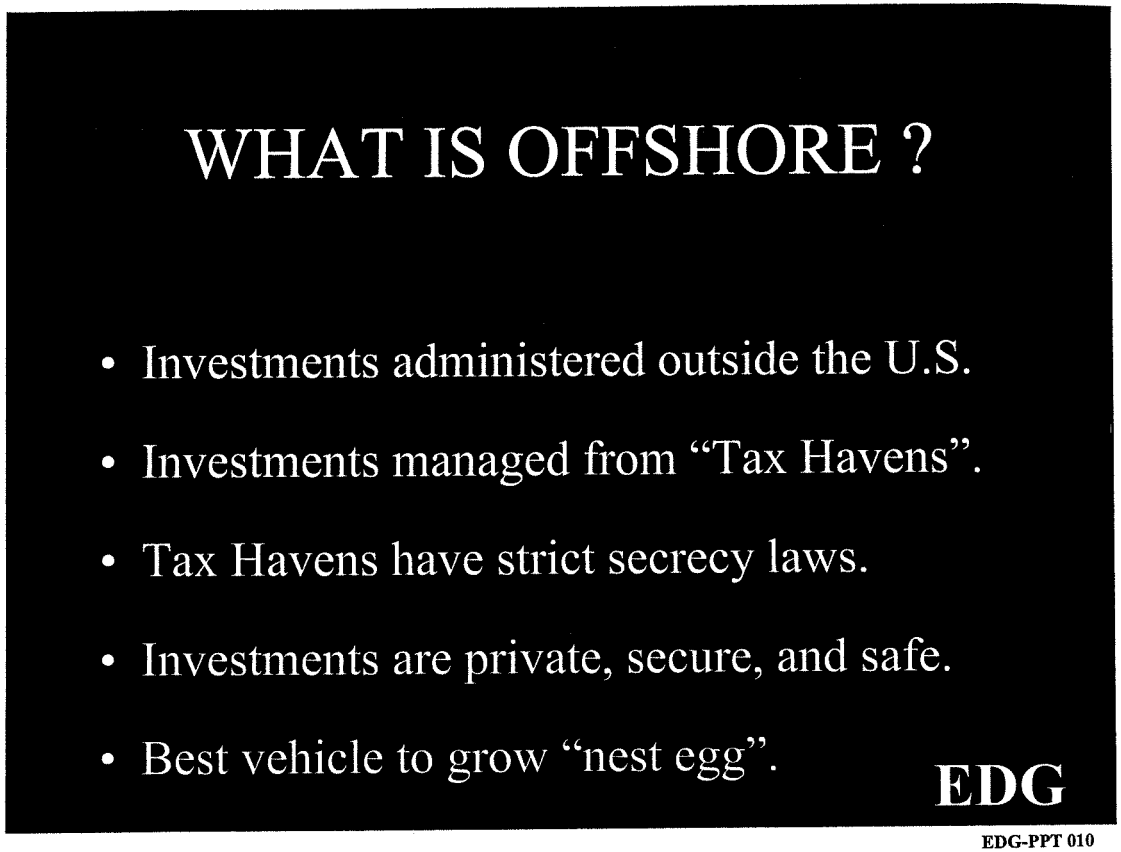
POWER OF OFFSHORE

Rate of Return = 20%, U.S. Tax Rate = 20%

Year	US	Offshore
	10,000,000	10,000,000
1	11,600,000	11,850,000
3	15,608,960	16,640,066
5	21,003,417	23,366,397
10	44,114,352	54,598,851
		$ 10,484,499

23% Greater Return!

EDG-PPT 009


WHAT IS OFFSHORE ?
• Investments administered outside the U.S.
• Investments managed from "Tax Havens".
• Tax Havens have strict secrecy laws.
• Investments are private, secure, and safe.
• Best vehicle to grow "nest egg".
EDG

EDG-PPT 010

HOW DOES IT WORK?

- Private, offshore company (e.g. Bahamas).
- Company bank and brokerage account.
- Offshore mail forwarding, message center.
- Insurance "Wrapper".
- Offshore company invests.
- Investments compound tax free!

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INVESTMENTS
• Full spectrum of investment vehicles.
• Money market, CD's, Bonds, Stocks.
• Mutual Funds, Managed Futures/Forex.
• Any investment preferences possible.
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SUPERIOR RETURNS

- Money Market - Citibank (Caymans).
- Bonds - Morgan Stanley (Luxembourg).
- Mutual Funds - Merril Lynch (Luxembourg).
- Lower Regulation, No taxes = higher returns.
- Higher returns = bigger house, faster boat….

EDG

SELF-DIRECTED INVESTMENTS

- Complete access to U.S. and world markets.
- Utilize full service or online brokerage.
- Accounts held offshore.
- Offshore company opens E-Trade account.

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STABILITY OF OFFSHORE

- Banks have 100+ year history, rated, $35B-$330B in assets (Barclays).
- Investment accounts insured or held at Fidelity….
- All investments audited by "big five" firms.
- High risk investments managed in U.S. by licensed, audited firms.
- 3-10 year track record.

EDG

EDG-PPT 015

ACCESS TO RETURNS

- Offshore debit card through a bank or brokerage.
- Foreign company may purchase real estate, cars, etc.
- Borrow it.

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CLIENT SERVICES
EDG
EDG-PPT 017

SERVICES

- Set up offshore structure for client.
- No effort, no hassle for client.
- Recommend investments given client's parameters.
- Client's personal, long/short term goals.
- Client with $100k to invest.
- Receive a percentage of returns.

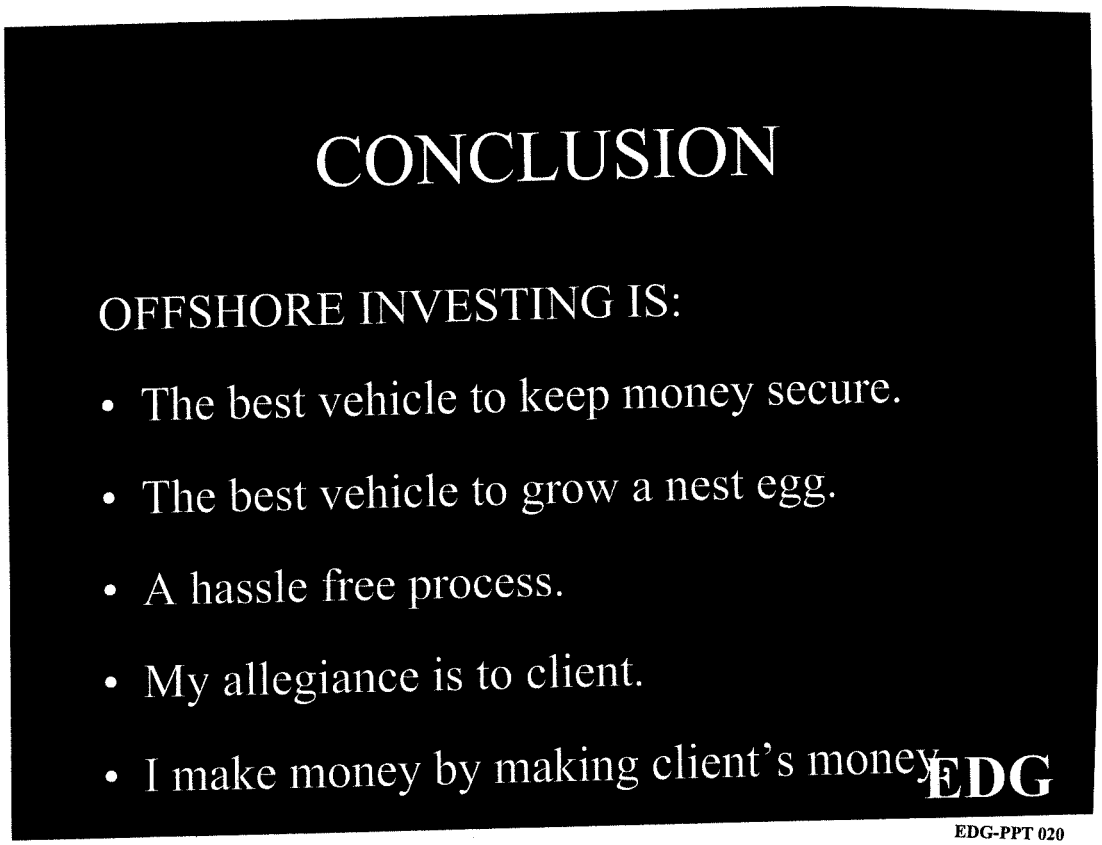
EDG

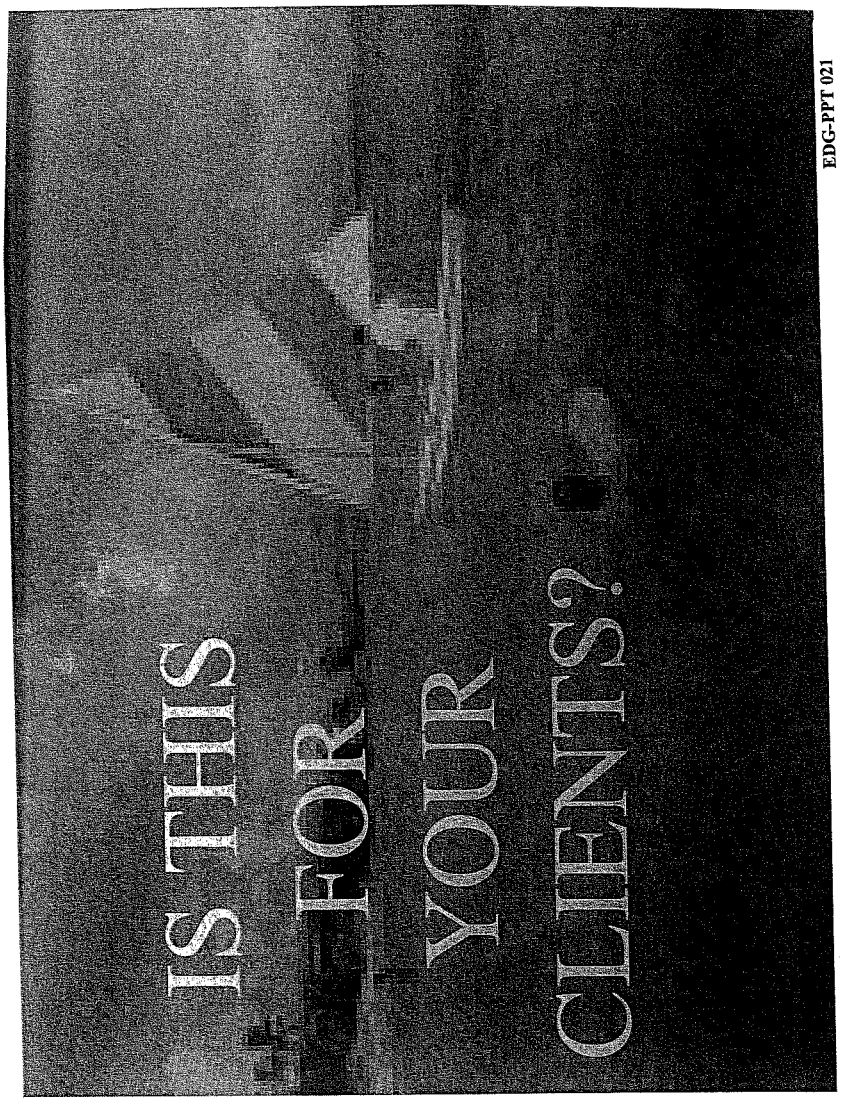
COMPENSATION

- I receive 7.5% of net *profits*.
- I make money only when the client makes money.
- Superior to "4/20".
- In client's shoes, overhead, network.
- All inclusive set up fee, yearly fee.

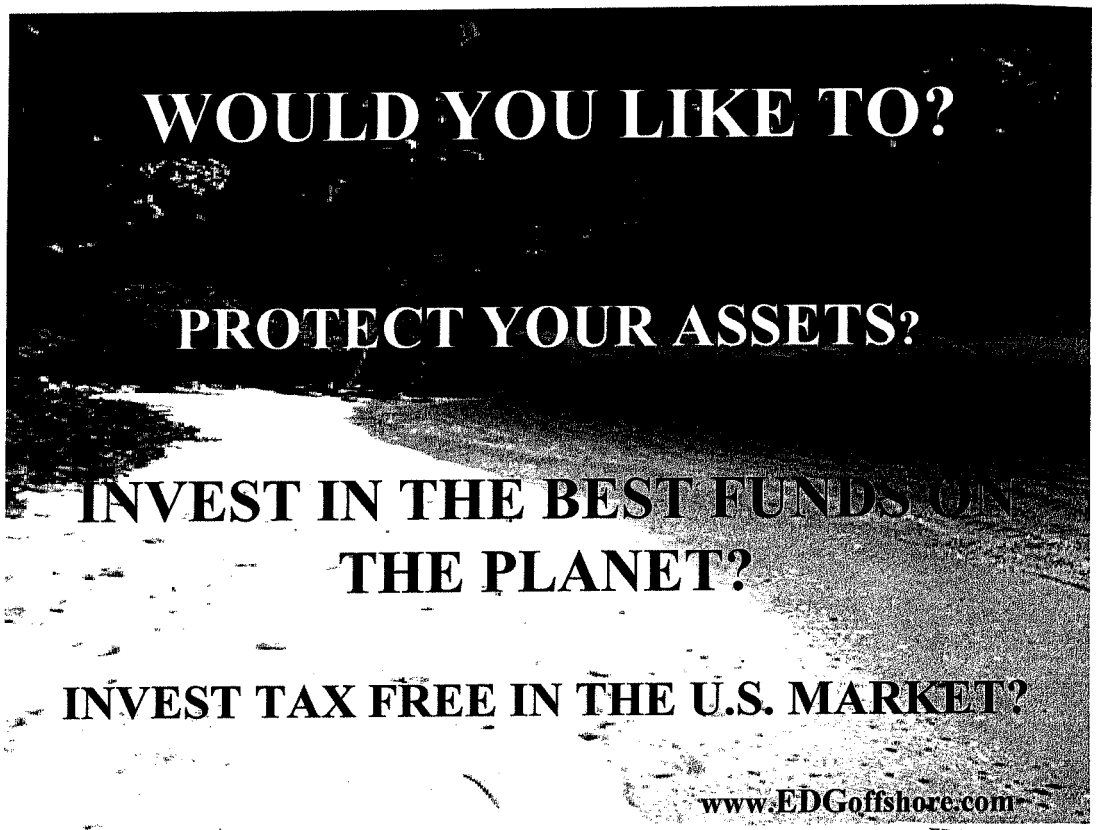
EDG

EDG-PPT 019


CONCLUSION
OFFSHORE INVESTING IS:
• The best vehicle to keep money secure.
• The best vehicle to grow a nest egg.
• A hassle free process.
• My allegiance is to client.
• I make money by making client's money.
EDG
EDG-PPT 020


IS THIS
FOR
YOUR
CLIENTS?
EDG-PPT 021

EDG-PPT 022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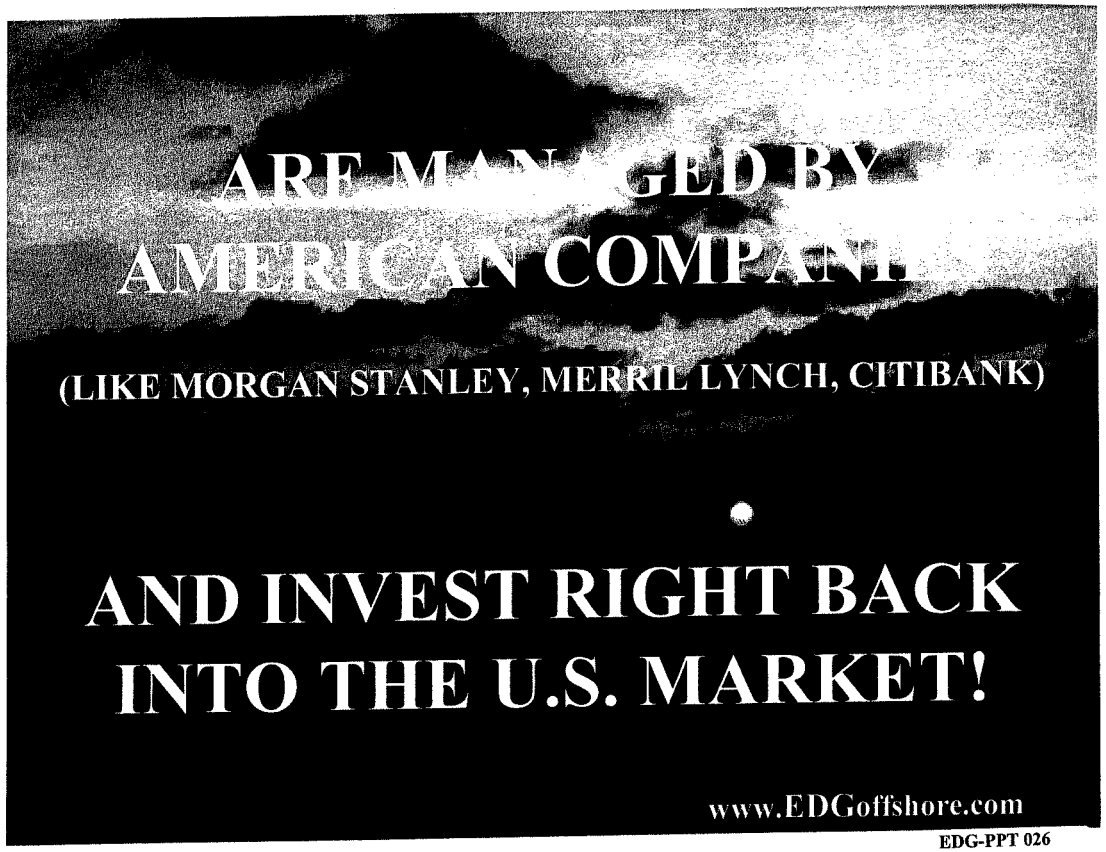
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AND INVEST RIGHT BACK
INTO THE U.S. MARKET!
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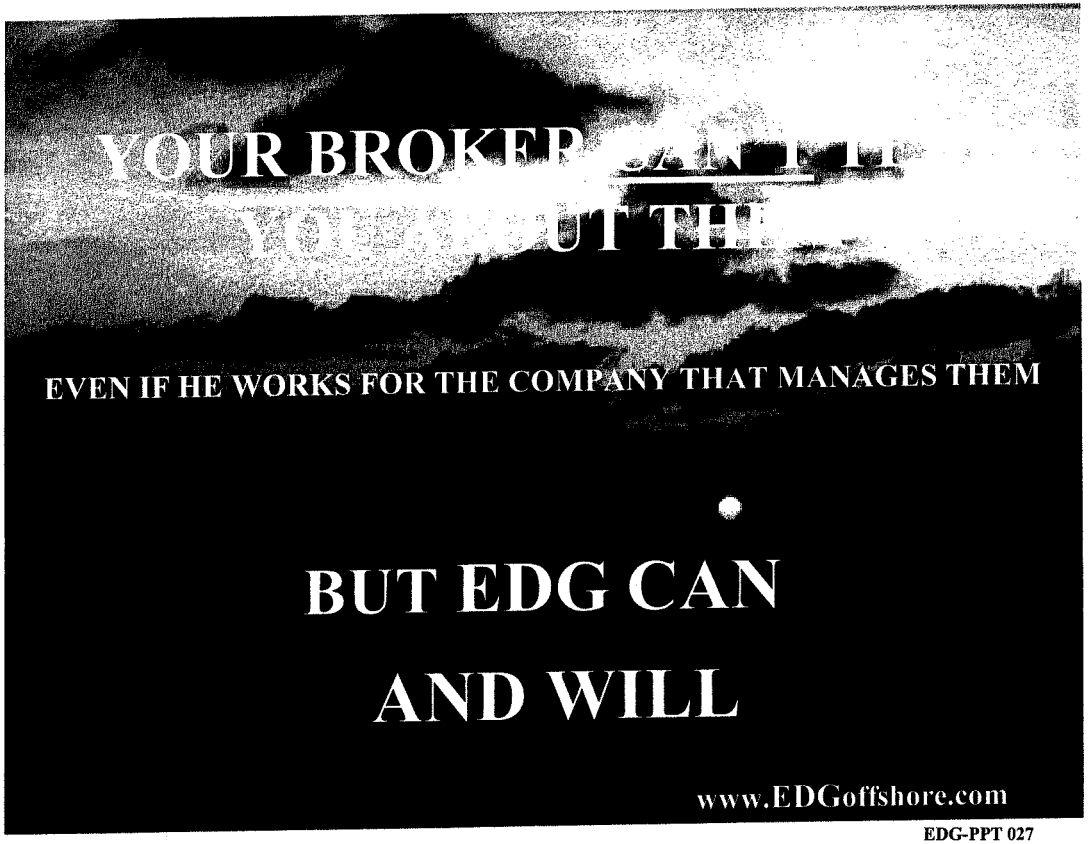
YOUR BROKER
EVEN IF HE WORKS FOR THE COMPANY THAT MANAGES THEM
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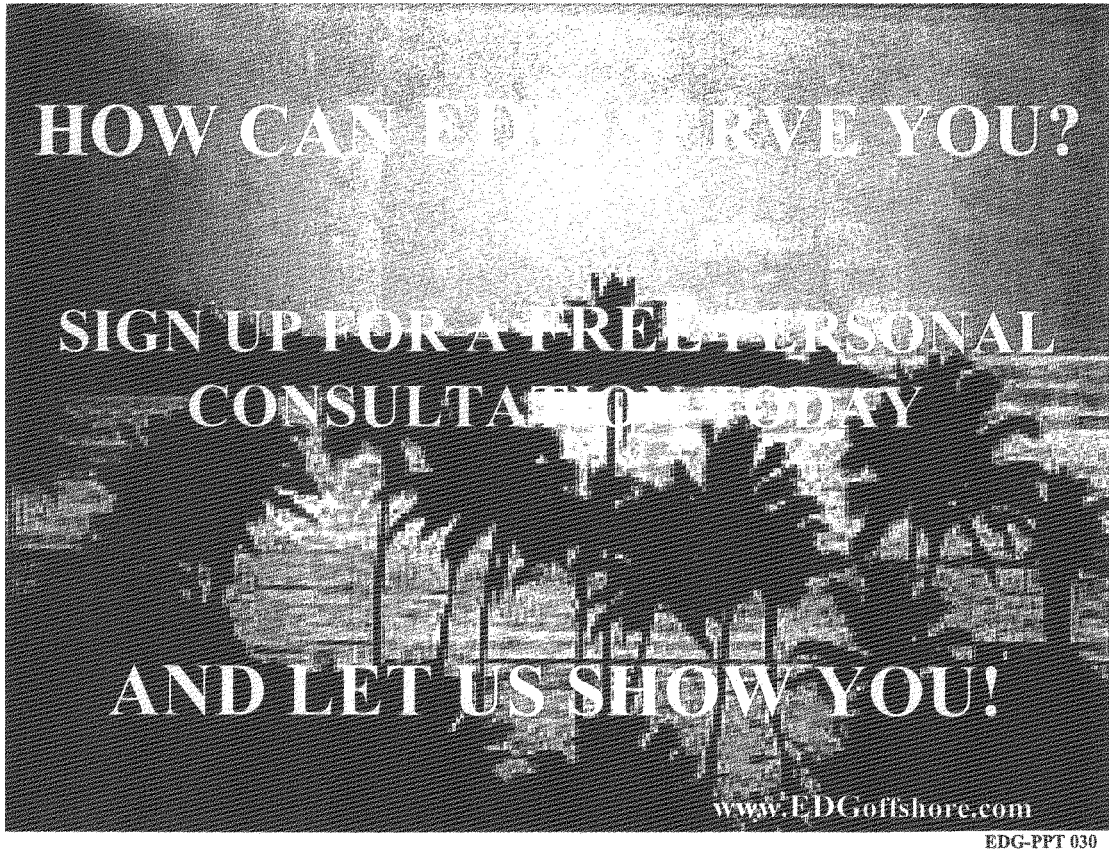
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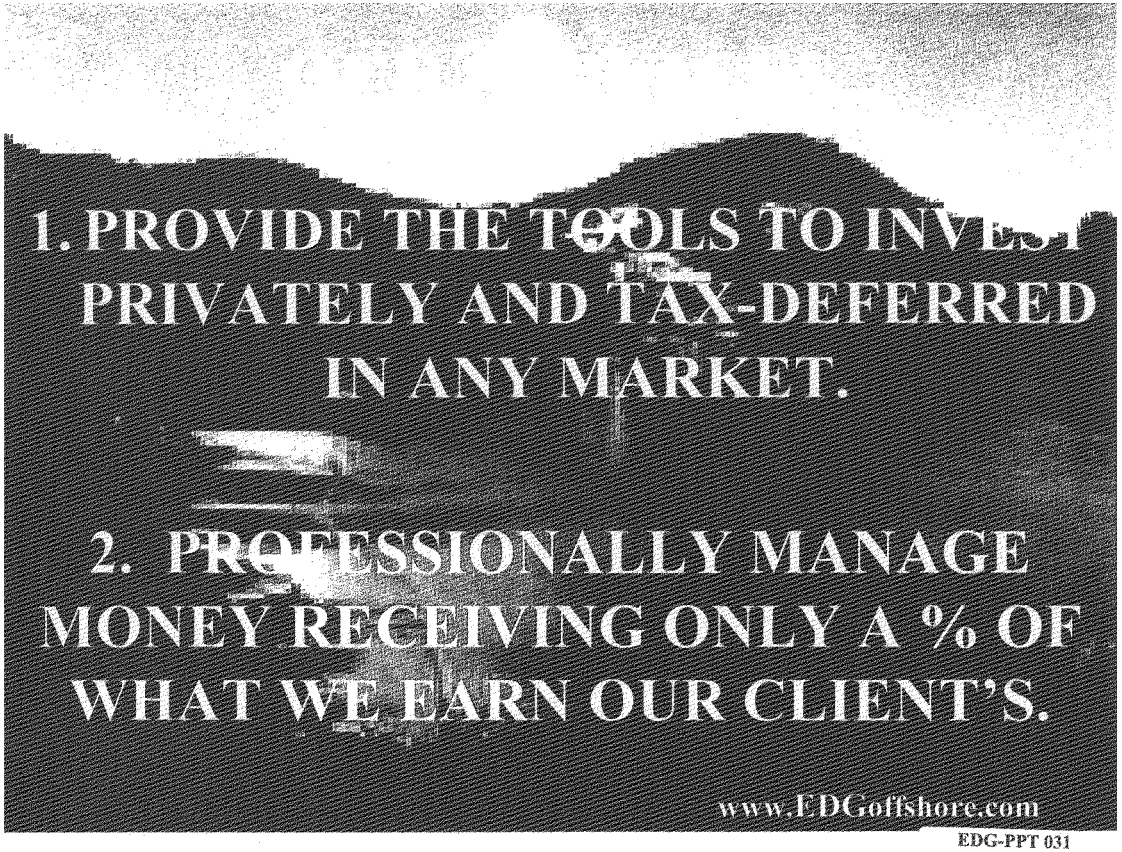
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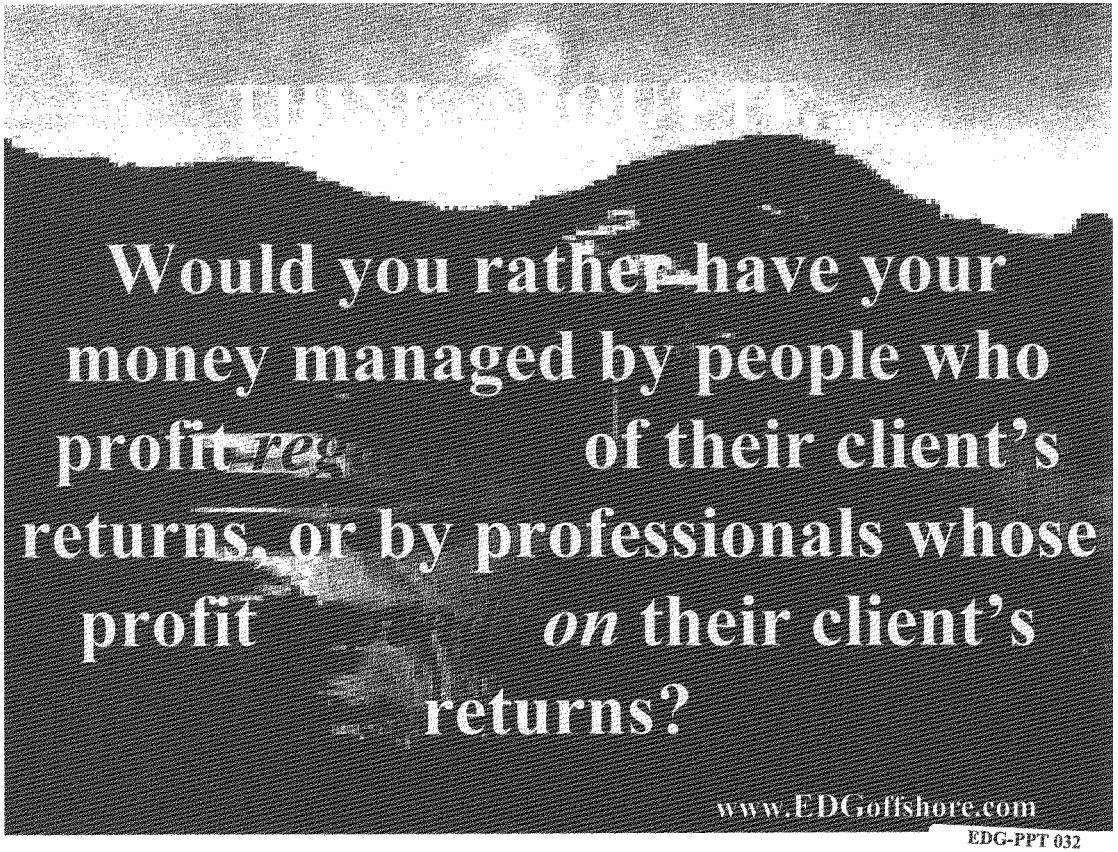
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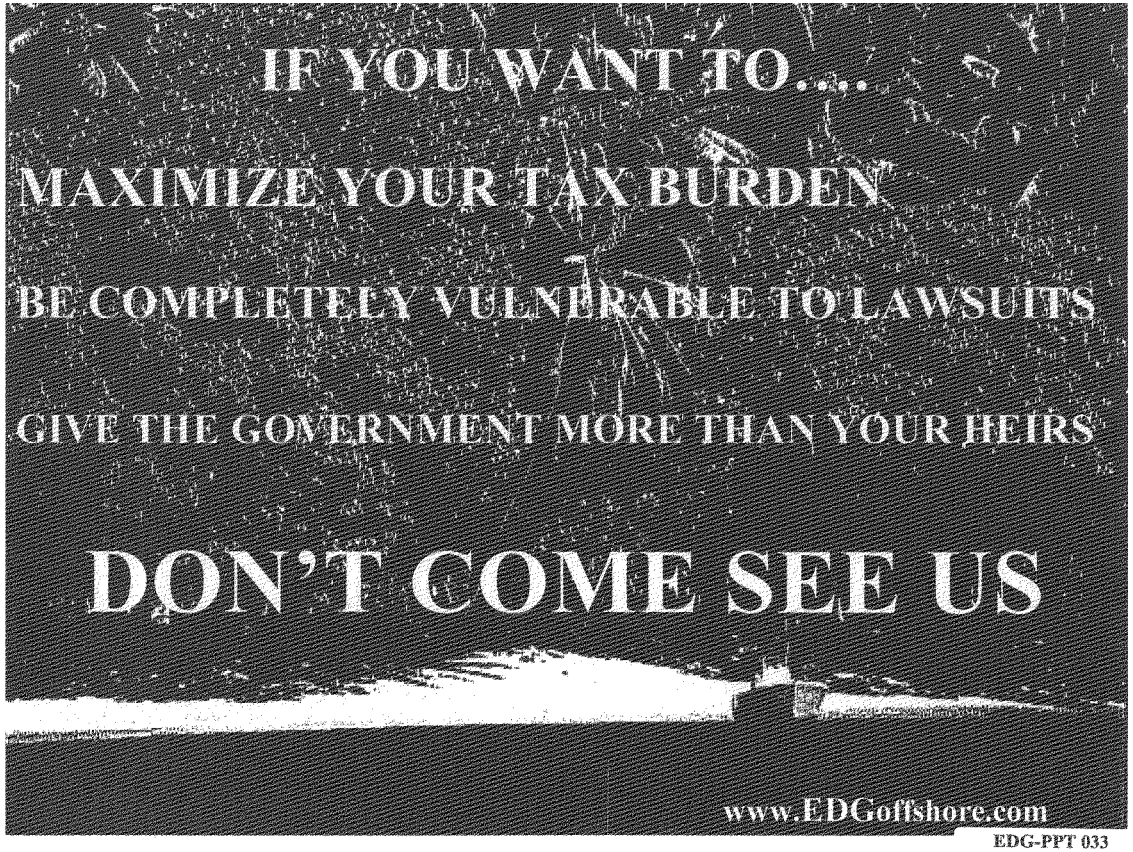
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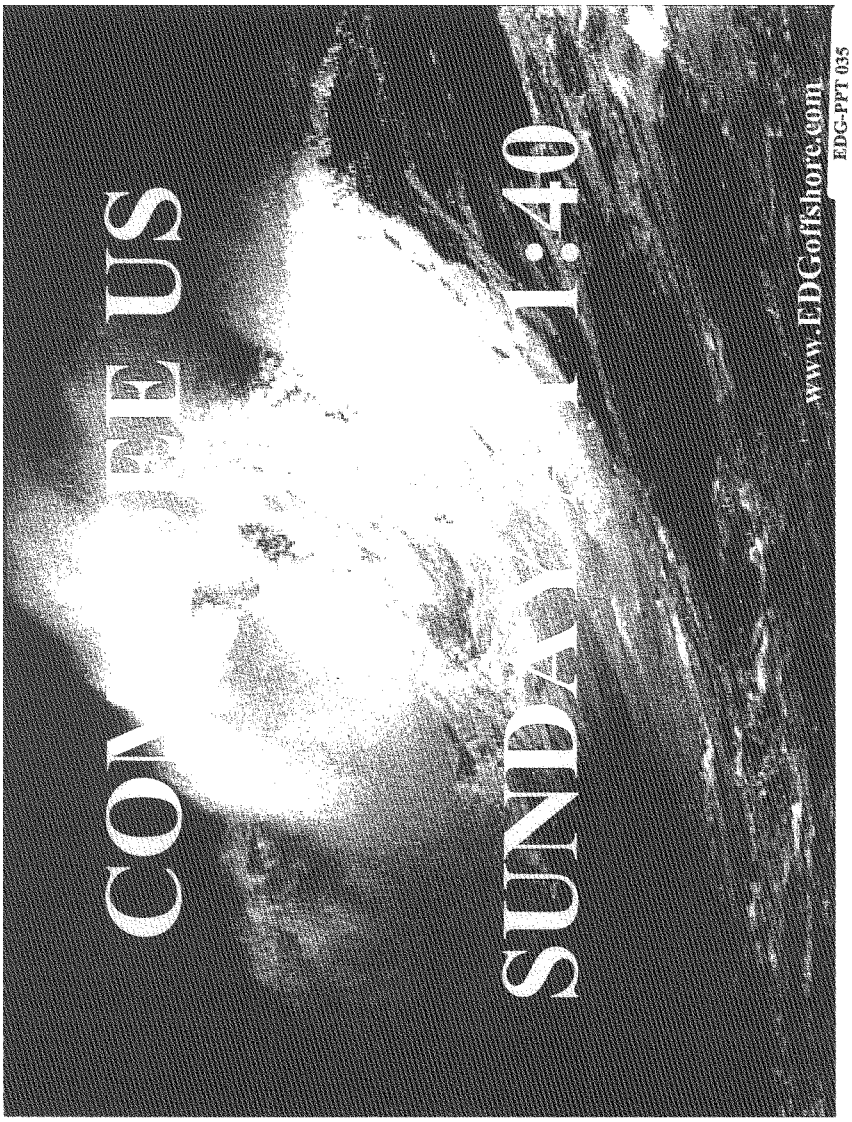
COME TO US
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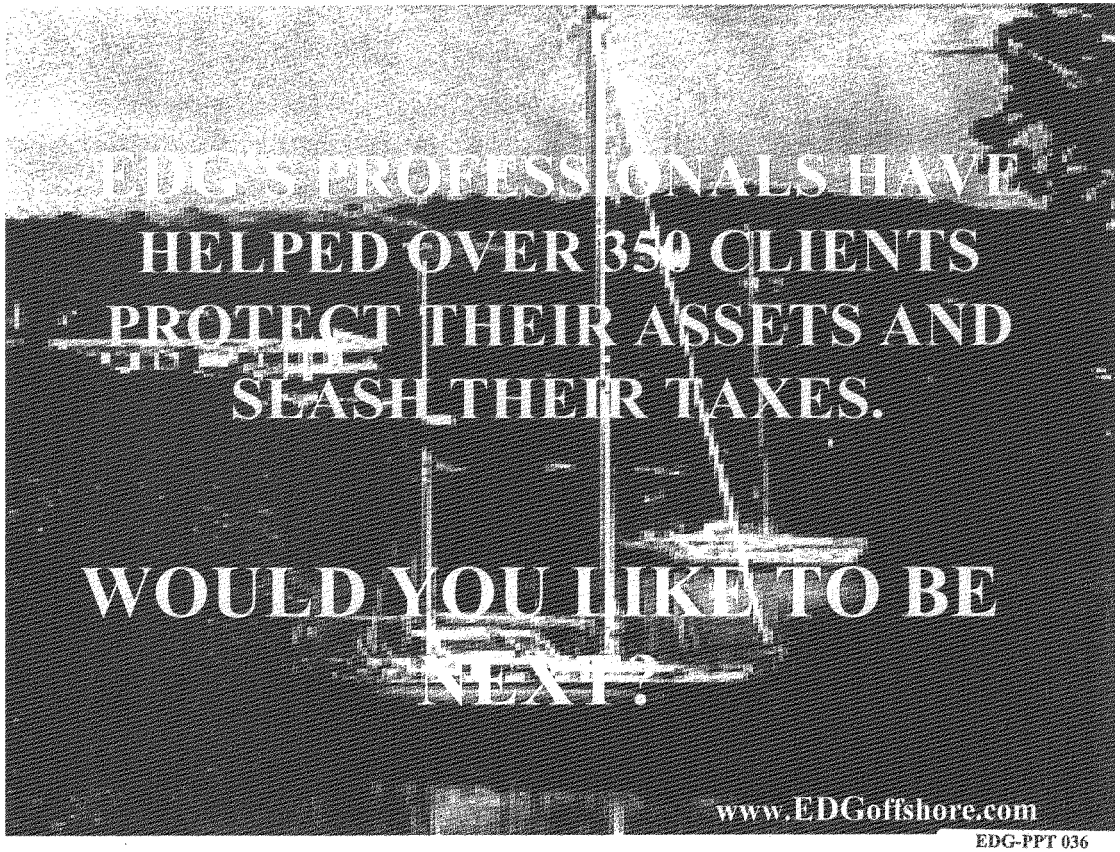
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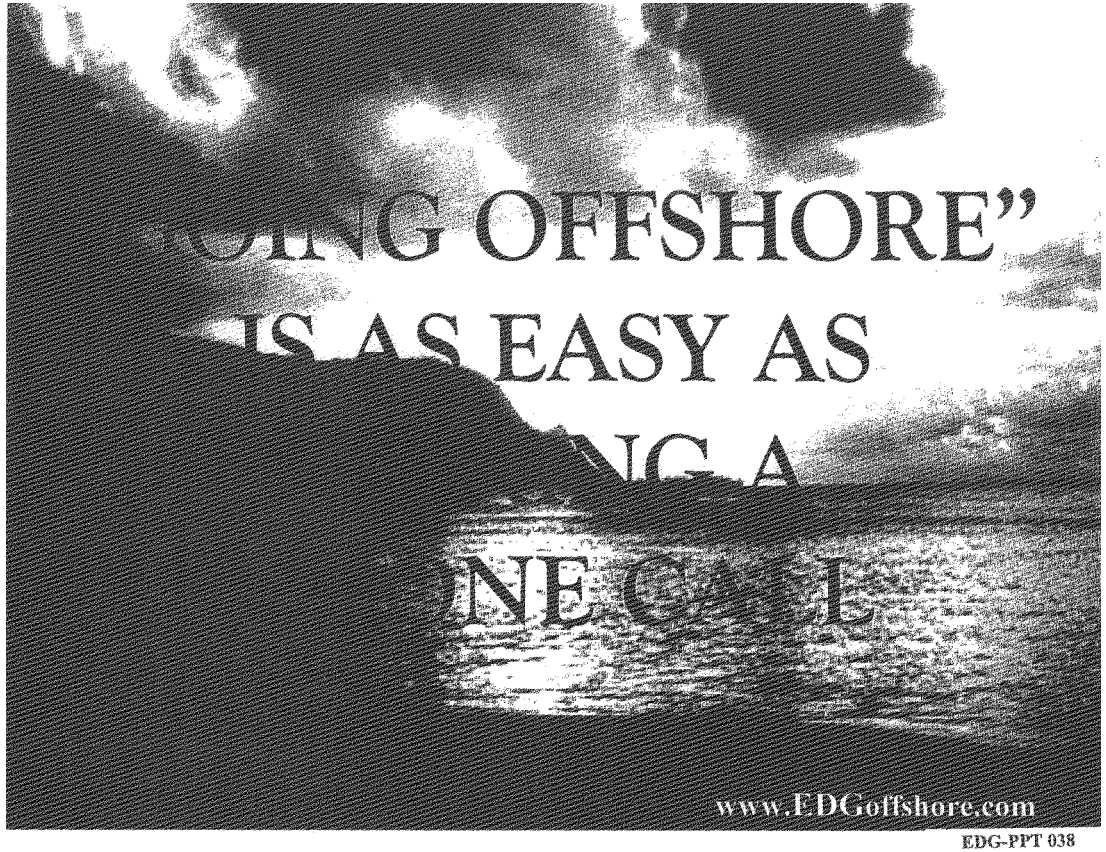

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OFFSHORE FUNDS HAVE...
LITTLE REGULATORY RED TAPE
LOWER MANAGE
NO TAX BURDEN
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THE RESULT?
GREATER RETURNS TO
THE INVESTOR!
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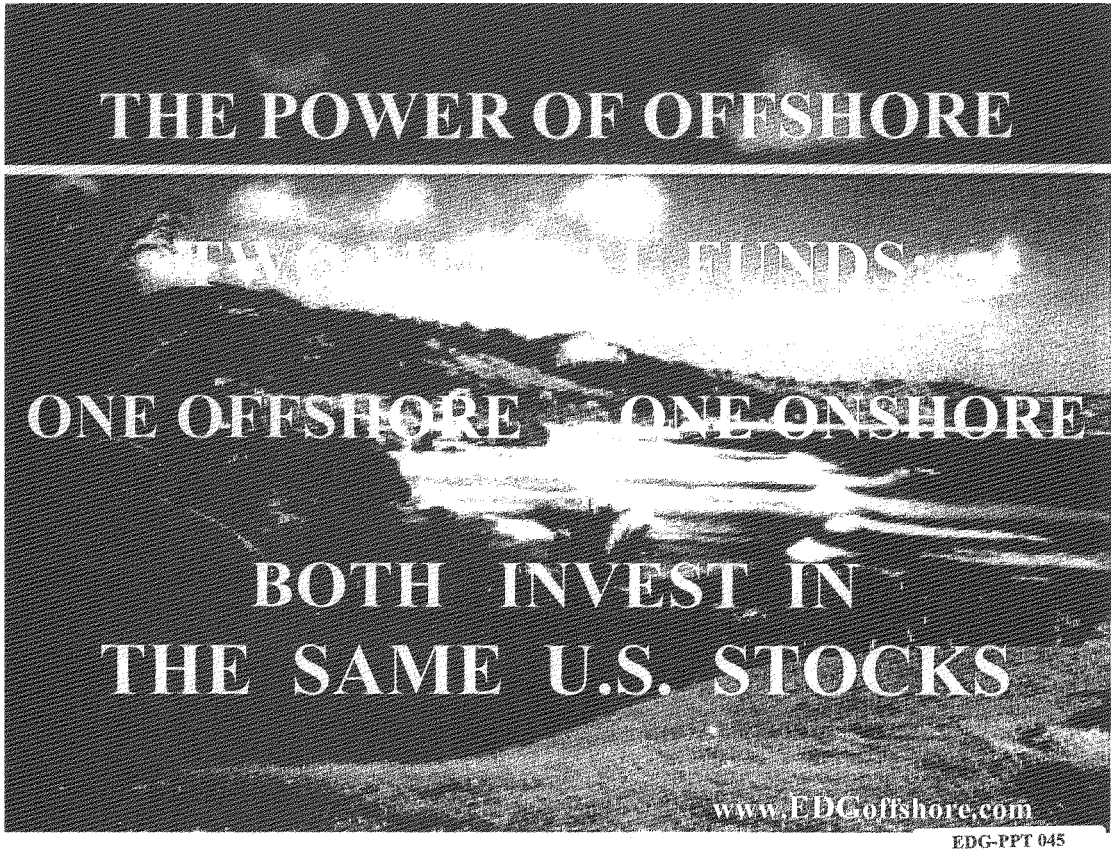
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BOTH INVEST IN
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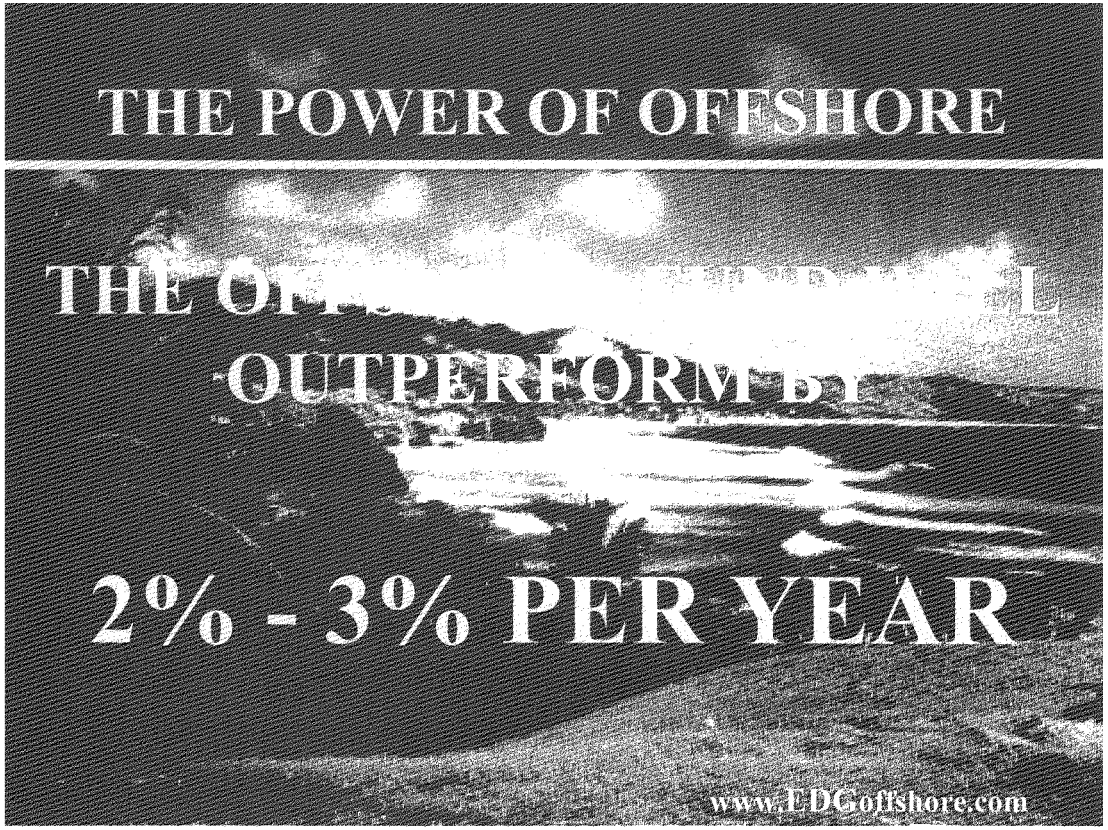
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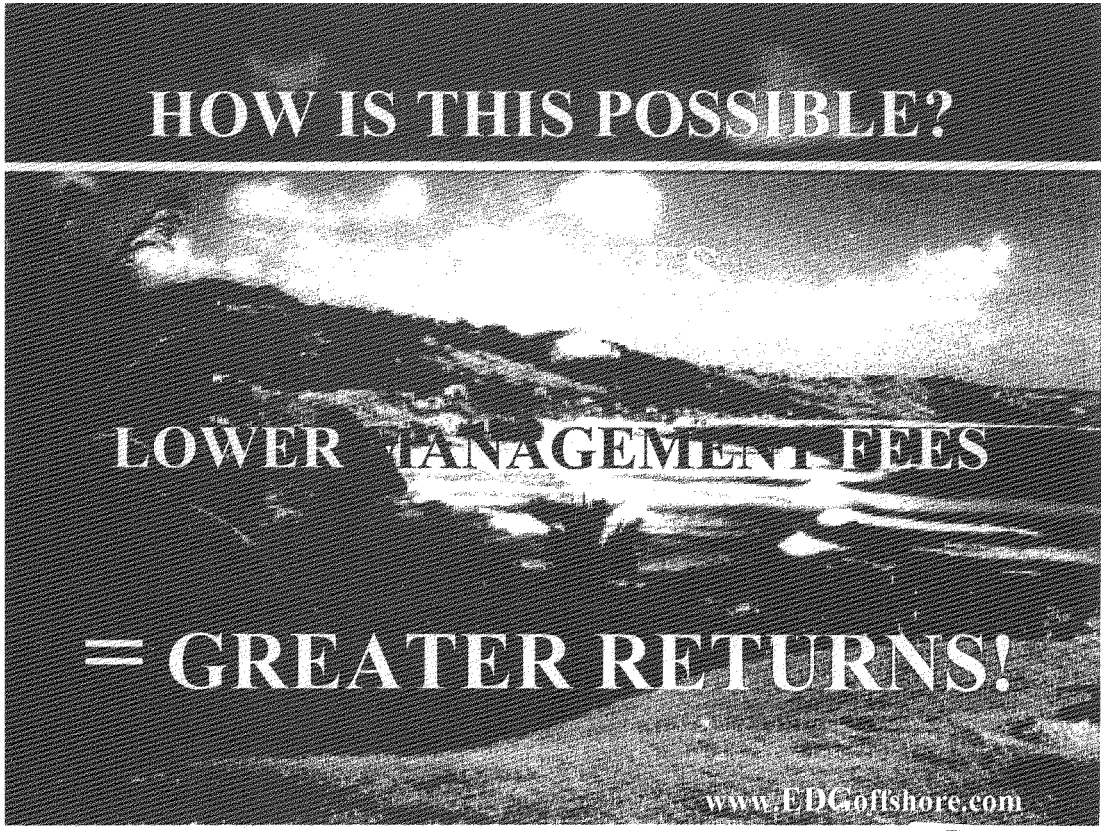
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[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Sam Congdon" <sam@equitydevelopers.com>
To: [redacted]
S nt: Monday, April 18, 2005 12:39 PM
Subject: Re: EDG[redacted]

[redacted]

Thank you for the email. I think some of these things would be best discussed in person rather than email - if possible. There is definitely a market for what you are proposing - probably a higher end market that i may typically service - which could be more lucrative anyway. Your background as an attorney (and that of your wife's) could help to reel in higher net worth clients than i might be able to personally attract, given that i am not an attorney, cpa, etc.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: Sam Congdon
Cc: [redacted]
Sent: Monday, April 18, 2005 9:53 AM
Subj ct: EDG[redacted]

Sam:

I am still interested, but in an arrangement that protects my involvement.
Frankly, I would have to take the business in the direction of tax compliance....helping the client's with their tax disclosure forms, etc.

The future for EDG is in protecting the identity of owners of assets, not tax avoidance. I think you have done a great job in maintaining some level of "distance" from the underlying client's intentions, but the laws are changing quickly, and a greater firewall is required.

I am a big-believer in privacy and see this industry as an essential element for helping people keep anonymity in this every-changing world where privacy is slipping away.

BUT....I must be very careful not to be associated with any conspiracies to defraud (creditors, courts, etc.)

The question is....is there enough business with people doing it legitimately....for asset protection from creditors, and from Internet access and identity theft?

How would it hurt EDG (or possibly help?) if we placed a disclaimer right on the first page saying that if the client is interested in tax avoidance, they need to go elsewhere? Indeed I would want a strict disclaimer and waiver affidavit signed by the client before even entering into consultation with them. I am hoping that such a firewall will actually attract those clients who are most concerned about the legality of the thing. Hopefully there are plenty of HNW individuals who want to legitimately cordon off assets from future creditor and frivolous lawsuit and egregious malpractice claims.

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[redacted] = Redacted by the Permanent Subcommittee on Investigations

A few things I would do:

1. To preserver the attorney-client privilege, I would in turn hire an offshore trust attorney for the client.
2. Tax Laws must be followed. I will fill out the TDF 90-22.1 for the client.
3. Create "visible" portions of the structure in a low-profile jurisdiction (not a tax haven).

A few problems / possible solutions that could be done legally:

Problem: Revelation of home address due to having to show utility bill.
Solution: Possibly alternate address?

Problem: Bank reference letters reveal to onshore bank the offshore bank.
Solution: Have Professional Fiduciary Company - alt of EDG for clients, and find Civil Law Jurisdiction bank that doesn't require ref. letters.

Problem: Investment activity reveals underlying account/client.
Solution: Use banks that have numbered accounts and offer investment products in street name or in the bank's name.

Problem: Credit cards reveal underlying account/client.
Solution: Make sure bank doesn't know information in the first place. Use Nominee Administered IBCs and bank that only needs name and signature for corporate cardholders.

Problem: Sending money offshore
Solutions: Find a trustworthy Transfer-Pricing Agent, Transfer via Brokerage House, Corporate Agent, and/or a low-profile intermediary in a low-profile jurisdiction. Use Western Union / Money Orders

Problem: Difficulty finding banks that are reputable and reliable, but aren't going to fold against pressure on their correspondent banks.
Solution: ?

[redacted]
Doheny Partners, LLC
A PROFESSIONAL MANAGEMENT COMPANY
(214) 208-2148
fax: (972) 692-6982
[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Thursday, April 21, 2005 11:46 AM
Subject: Re: A new purpose: Identity Theft Protection

i've never advertised vis a vi identity theft, but it just might work.

should have the loi to you this afternoon.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: 'Equity Development Group'
Sent: Thursday, April 21, 2005 10:26 AM
Subject: RE: A new purpose: Identity Theft Protection

I think this would be a great time to roll this out hard as a new campaign.
It gives EDG a great "reason" for why their customers want "hidden" offshore accounts.
Really would help my concern about liability.

Any thoughts on the LOI?

[redacted]
Doheny Partners, LLC
A PROFESSIONAL MANAGEMENT COMPANY
(214) 208-2148
fax: (972) 692-6982
[redacted]

From: Equity Development Group [mailto:info@equitydevelopers.com]
Sent: Thursday, April 21, 2005 10:16 AM
To: [redacted]
Subject: Re: A new purpose: Identity Theft Protection

yeah, it is an issue that affects a lot of people and offering them offshore accounts would certainly be one way to keep it from happening again - at least to some exent. my ex girlfriend had someone steal her mail or something like that and then went around and charged up about $20k in bills and such. pretty crazy. people will still need to have a local bank account (everyone needs to go to the bank once in a while) but they could easily keep the bulk of their savings and what they don't need for day to day cash, offshore.

Thank you.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 64

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: Sam Congdon
Sent: Thursday, April 21, 2005 12:57 AM
Subject: A new purpose: Identity Theft Protection

Sam:

I think there is a HUGE market for the use of offshore accounts for Identity Theft Protection. It creates a natural "hiding" place for the argument of WHY someone wants an offshore account which can not be easily identified. Sure, many will open them for other reasons, but it is a legal and rational reason to go offshore....something the offshore industry sorely needs. And if I am right, something the media would look at and gain EDG exposure as a legit offshore provider.

Take a look at the following, taken from the Equifax site. I have changed to bold red the relevant points that I saw where an offshore account with mail forwarding, etc. could help. Clearly even more of this would be relevant if the client does not use or carry a credit card for the offshore account.

I look forward to hearing your thoughts.

David

How Identity Theft Strikes

First, what exactly is identity theft? Identity theft occurs when someone **steals your personal information to take over your credit accounts, open new ones, take out a loan, rent an apartment, access bank accounts, or commit many other crimes using your identity.**

When it strikes, the effects can be devastating. What's more, because it frequently involves no physical theft, identity theft may not be noticed by its victims until significant damage has been done -- often, several months and thousands of dollars later.

How do thieves do it?

First, they steal your personal information by...

Going through your mail or trash, looking for bank and credit card statements, pre-approved credit

offers, and tax information.
Stealing personal information from your wallet or purse such as identification, credit, or bank cards.
Completing change-of-address forms to redirect your mail.
Obtaining your credit report by posing as a landlord or someone else who has a lawful right to the information.
Acquiring personal information you share on unsecured sites on the Internet.
Buying personal information about you from an inside source -- for example, a store employee that gets your information from a credit application or by "skimming" your credit card information when you make a purchase.
Getting your personnel records at work.

Then they use your personal information by...

Opening new credit card accounts using your name, date of birth, and Social Security number.
When they use the credit cards and don't pay the bills, the delinquency is reported on your credit report.
Establishing phone or cellular service in your name.
Opening a bank account in your name and writing bad checks on the account.
Counterfeiting checks or debit cards, and draining your bank account.
Buying cars by taking out auto loans in your name.
Calling your credit card issuer and, pretending to be you, changing the address on the account. Bills get sent to the new address, so you don't realize there's a problem until you check your credit report.
Filing for bankruptcy using your name to avoid paying debts they've incurred under your name.

Monitor Your Credit Report Closely

Unless you check your credit report frequently, there's often no way to tell if identity thieves have used your personal information to obtain credit accounts or other services in your name.

To help protect yourself, subscribe to Equifax Credit Watch™ credit report monitoring service, and get an early alert to new and suspicious activity on your report, identity theft insurance, and access to your credit report.

No Credit Card Is Necessary

Credit card fraud is just one type of identity theft. While a thief may use your information to apply for a new credit card, some types of identity theft don't involve credit cards at all. **Someone with a bad credit rating may use your personal information to get a car loan, acquire phone, cellular service, or another utility service, or open a bank account in your name.**

Such cases can be seriously damaging, since you may not realize anything is wrong until you notice unfamiliar charges on your monthly bills or statements.

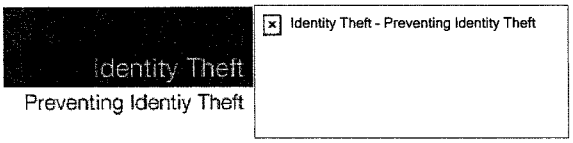
Did You Know?

According to the Federal Trade Commission, identity theft complaints are broken down as follows:

About 50% reported that a credit card was opened in their name
25% reported that the thief established new telephone, cellular, or another service in their name
16% reported that a bank account was opened in their name, or **unauthorized withdrawals had been made from their account**

9% reported that the thief obtained a loan in their name
8% reported that the thief obtained a fraudulent document such as a driver's license

Read more Facts and Statistics.



Preventing Identity Theft

Unfortunately, it's not possible to prevent identity theft and credit fraud entirely. However, by **managing your personal information carefully**, and with a full understanding of its importance, you can substantially reduce the likelihood that it will happen to you. The following tips show you how.

How to Outsmart Identity Thieves

Be careful about giving out personal information. Whether on the phone, by mail, or on the Internet, never give anyone your card number, Social Security number, or other personal information for a purpose you don't understand. Ask to use other types of identifiers when possible, and don't carry your SSN card. Be sure to keep it in a secure place.

Protect your mail. To stop a thief from obtaining personal information about you by **going through your through trash or recycling bin**, tear or shred your charge receipts, credit applications, insurance forms, bank statements, expired charge cards, and preapproved credit offers. Deposit outgoing mail in post office collection boxes or at your local post office. Promptly remove mail from your mailbox after it's delivered. If you plan to go away, call the U.S. Postal Service at 800-275-8777 and request a vacation hold.

Guard your credit cards. Minimize the information and the number of cards you carry in your wallet. If you lose a card, contact the fraud division of the credit card company. **If you apply for a new credit card and it doesn't arrive in a reasonable period, contact the issuer**. Watch cashiers when you give them your card for a purchase. Also, when you receive a new card, sign it in permanent ink and activate it immediately.

Pay attention to billing cycles. Contact creditors immediately if your bills arrive late. A missing bill could mean an identity thief has taken over your credit card account and changed your billing address.

Safeguard personal information in your home. Especially if you are having service work done in your home, employ outside help, or have a roommate.

Find out who has access to your information at work. Be sure to **verify that records are kept in a secure location, and are accessible only to employees who have a legitimate reason to access it.**

Be smart about passwords and PINs. Memorize your passwords and personal identification

numbers instead of carrying them with you. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your SSN or your phone number, or a series of consecutive numbers.

Fraud Alerts. You may place an Initial 90 day Fraud Alert by calling any one of the 3 nationwide credit reporting companies. The agency that accepts your request will share your request with the other two credit reporting companies, which will add the alert to your file or request that you provide them additional information. You will receive a confirmation when an alert is added to your file.

Active Duty Alert. you may request an active duty alert, which will remain on your file for 12 months, by calling any one of the nationwide credit reporting companies. This alert removes your name from pre-screened offers of credit for 2 years. You will receive a confirmation when an alert is added to your credit file.

Sharing of Alerts. The nationwide credit reporting company that accepts your request for a Fraud or Active Duty alert will share your request with the other two nationwide credit reporting companies, which will add the alert to your file or request that you provide them additional information.

Other Important Facts

Zero responsibility doesn't mean zero problems. Because credit card companies must limit consumer responsibility to $50 in most cases of fraud, and because many new cards include "zero responsibility" protection, some people think there's no reason to worry about credit fraud. But in its most advanced form -- identity theft -- credit fraud can cause wide-ranging long-term problems. Identity thieves can use your personal information to take over your credit accounts and open new ones. They may even use your good credit to get a job, take out a car loan, or rent an apartment.

Check your credit report regularly. Checking your credit report can help you catch mistakes and fraud before they wreak havoc on your personal finances. Make sure your report is accurate and includes only those activities you've authorized. It's also a good idea to review your credit report from each of the three major credit reporting agencies every year -- it's possible that information is reported to one but not the others.

Get the 3-in-1 Credit Report and see your credit history as reported by the three major credit reporting agencies. You can also subscribe to Equifax's Credit Watch™ credit report monitoring service, and get an early alert to new and suspicious activity on your report. Equifax Credit Watch™ also gives you up to $20,000 identity theft insurance depending on program.

Did You Know?

Although **the problem is nationwide**, states with the highest incidence of identity theft are California, New York, New Jersey, Connecticut, Pennsylvania, Ohio, Florida, Georgia, Texas, Illinois, and Washington.

Read more Facts and Statistics.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Thursday, March 17, 2005 4:08 PM
Subj ct: From EDG

Dea[redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

1.The trust holds the shares in the IBC. Who controls the trustee - for instance can the trustee make decisions and excercise actions on the bank accounts of the ibc?

No, the trustee can't do anything with the bank account. He would not even know that it exists. What happens is that a trust is formed and a trustee is appointed (we generally us an accountant in the bahamas). The trust then becomes the shareholder of the company. But it is just a passive shareholder. The trust does not control the company or anything like that. The trustee doesn't know about the IBC's business or accounts (nor does he care to). Even if he did know of an account - he cannot take control of it because he is not the signer on the account. The bank will only take directions from the signer.

How much does it cost for the trustees services?

Having a trustee is included in the price. The only time you would pay anything extra is if you have him do something for you - such as sign a document or something. The fee for that is $100 per signature.

Does my name appear anywhere in the IBC or trust?

No, not unless you want it to.

2.How secure are the respective bank accounts - who has access to drawing funds on these?

Only the signer on the account has the authority to do anything with the account - just like a domesti bank account.

If the bank is being established by the trustee on behalf of the ibc how do i know that the trustee doesnt also have signing authority?

The bank account is established in the name of the IBC, with you as the signer. The trustee does not see the bank application. We prepare the bank account application, send it to you to sign/complete and return. It is then forwarded to the bank. The bank opens the account with a $0 balance and you can then move funds in. You could verify with the bank, **prior to moving funds into the account**, that you are the only signer on the account and the only one that will have access to the funds in the account.

Does my name appear anywhere with the banks - how do they authenticate the drawing of funds from the bank account?

You would be the signer on the account. Wire transfers out of the account can be authorized by you through the online banking system or through fax that includes many things and a password to verify. You can also request that the bank call you to verify any transfers out of the account. Keep in mind that offshore banking was established to protect people's privacy and confidentiallity. An offshore account is FAR more secure than if you walk down to your local bank and open a personal account.

Can i personally visit the bank - for instance if i am on vacation is it possible to walk into the bank and draw funds?

Yes. That's not a problem. I have personally been to all of the banks that are listed on the website.

3. What format does the ibc and trust name take - is this one i can offer or is it generated without my input

ABC Inc. and The XYZ Trust. A trust name ends in the word "trust". A company name ends in "inc" "ltd" "corp", etc. There is no difference between the name endings. You can come up with your own names for the company and trust.

4. I am a canadian resident - is this form of structure fairly secure from the revenue authorities for estate planning and off shore income?

Absolutely. Most of EDG's clients are from US and Canada.

Apologies if my questions are naive - just need clarity on the security of the operation.Thanks

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
S nt: Friday, June 03, 2005 5:35 PM
Subject: Re: sam congdon

Answers below.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

I went to the Order Form online. If I select a nominee director, would I contact him to wire money to Belize from, say, the Antigua checking account? Would I call the bank directly to wire money?

The nominee director doesn't sign on accouns. We would never recommend that you have someone you don't know sign on your account and therefore control your $. You would be the only signer on any accounts that we set up for you and so you would be in 100% control. To wire money out of the bank in Antigua, you would go to their online banking and you can order a wire transfer from ther (the online banking) or you could fax them a wire request. The same would go for having the bank issue a cashier's check.

Whose signature(s) are on the checks?

For a cashier's check, the bank's signature is on it. Most offshore banks don't offer direct checking accounts like we have them here. A check has all kinds of information on it that you wouldn't want someone to see (account number, name of the account, etc.).

Can I name the trust something similar to Spirit Tech?

Yes, that's fine.

I would like to set this up and wire the money by next Tuesday or Wednesday? Can everything be set up in two or three days from then?

It can't be done that fast. The fastest it can be done is 1.5 - 2 weeks. It takes 1 week just to form the company, then a few more days to open up the offshore account. But still, 1.5 - 2 weeks is lightning fast for offshore.

[redacted]

----- Original Message -----
From: Equity Development Group
Sent: Friday, June 03, 2005 11:38 AM
To: [redacted]
Subject: Re: sam congdon

[redacted]

[redacted]aid you spoke to him. Please let me know if you have any questions of me.

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EXHIBIT #66 - FN 71

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: info@equitydevelopers.com
Sent: Thursday, June 02, 2005 6:13 PM
Subject: sam congdon

Sam,
I never received a return call from [redacted] I would like to set up Spirit Tech with a trust and the two checking accounts. What is the next step. Please have [redacted] call me a[redacted]
[redacted]

= Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Monday, January 17, 2005 7:23 PM
Subj ct: Re: From EDG

William:

There are a couple of ways to bring back funds without anyone connecting them to you. First, your offshore account should be in the name of an offshore company (which we can set up for you). That way, any transfers to or from the account can be done in the company's name and not your personal name - thus protecting your privacy. If you wire money back, don't have it wired to your personal account. For example, if you are buy a car, have the money wired (or cashier's check made out to) the car dealership. This way, the $ never hits your account. Also, one of the banks that we set up accounts with has an anonymous ATM card. You can use it to withdraw cash - there are no names of any type on the ATM card, so it is anonymous. Either of these methods would allow you to move money back onshore without anyone else knowing or being able to connect it with you personally.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: Equity Development Group
Sent: Monday, January 17, 2005 3:51 PM
Subject: Re: From EDG

Hello again,
thank you for your email response.

I have just one final question / how would i hide the paper trail?
If i was to get an offshore bank to send me a cashier's check
and have a check cashing service cash that check/ would the government not be able to trace that .

If i was to setup a secured visa or mastercard and withdraw
large amounts of money would the government be able to trace those
funds?

What i am trying to dohere is to find a way towithdraw funds from
an offshore accountwith out any paper trails.

Your assistance appreciated
[redacted]
n

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 77

Equity Development Group <info@equitydevelopers.com> wrote:

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted]

It is true that there is no capital gains tax (or any tax for that matter) offshore. However, i can't advise you as to what your Canadian tax issues might be if you have offshore income - you would actually need to speak with a Canadian accountant. However, any income (or capital gains) that you make offshore is kept completely private and no one - including governments, has access to it.

Please let me know if you have any other questions that I can answer.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From [redacted]
To: Equity Development Group
S nt: Monday, January 17, 2005 10:28 AM
Subject: Re: From EDG

[redacted]

Hello and thank you for the quick response to my email.

At the present time i am involved in a heavy investment program with offshore investors.

If everything goes as planned myself and my business partner should accumulate between 5 and 10 million us dollars. within the next 3 yrs.

Our concern is that we do not want to pay the 50% plus in capital gains tax.

I undersand that as the director of a registered offshore corporation i will not have to pay the capital gains tax here in northamerica

I also understand that there is no capital gains tax in offshore countries.

Please advise
Respectfully
[redacted]

Equity Development Group <info@equitydevelopers.com> wrote:

= Redacted by the Permanent Subcommittee on Investigations

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

your site was referred by a business partner,please advise how i could open an offshore bank account and withdraw funds without detection of government bank records.

Offshore accounts, by their nature, are private. When you make a withdrawal it is private and no one (including governments), knows about it. The most private way to open an offshore account is not to do so personally, but in a corporate name. I would recomend reading: http://www.equitydevelopers.com/offshore_101.asp on the EDG website for an explanation.

Is it possible to have funds sent via fedx at my exspense? thank you william

Yes, in the form of a cashier's check, but not cash.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

Post your free ad now! **Yahoo! Canada Personals**

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Monday, January 24, 2005 11:23 AM
Subject: From EDG

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

I own or am about to purchase properties abroad, which will be let for holiday rental, these will have mortgages paid in local currencies but i will need to have access to this money from the u.k. as well as paying the mortgages. Do your banking facilities provide for direct debit/standing orders

Yes. funds can be pulled out of offshore banks using wire transfers, bank checks, Visa/MC debit cards and cash machine cards. Standing orders can be set up as well.

and can the money be accessed by ATMs in the U.K.

Yes. the money can be accessed by ATMs in Uk and abroad.

and if so is it traceable by the Inland Revenue.

As long as everything is done in the name of the offshore company, then it is private and no one (including Inland Revenue) can get any information about it.

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 78

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
S nt: Tuesday, June 21, 2005 11:28 AM
Subj ct: Re: From EDG

no trouble. i just don't personally like to do business with adult type companies.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: 'Equity Development Group'
Sent: Tuesday, June 21, 2005 12:19 AM
Subject: RE: From EDG

What is the trouble with adult internet companies off shore? Also is there anyone that is as trustworthy as you that you can recommend?

Regards

[redacted]

From: Equity Development Group [mailto:info@equitydevelopers.com]
Sent: Monday, June 20, 2005 11:31 AM
To: [redacted]
Subject: Re: From EDG

yes, that is true.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: info@equitydevelopers.com
S nt: Saturday, June 18, 2005 1:59 PM
Subject: FW: From EDG

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 79

My partner says that you all do not do adult companies is that true?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Equity Development Group [mailto:info@equitydevelopers.com]
Sent: Friday, June 17, 2005 5:27 PM
To: [redacted]
Subject: Re: From EDG

[redacted]

Answers below. Please let me know if you have any other questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

I have set this up as a personal account using the wizard you have.

Complete package includes:

Offshore Corporation formed in Nevis
Offshore Trust formed in the Bahamas
- Offshore Bank Account: Barrington Bank, Antigua
- Offshore Brokerage Account: None

Offshore Mail Forwarding for 1 year

(prices include all, government, registered agent, nominee director fees and trustee fees)
Annual renewal fee after first year is $1,275.

A few questions.

How does it work to insure that all principles of this company have security with their portion of the assets? Based on % of the company they own?

You will have the shares of the company, you will have the company and documents, and you will be the only person signing on the company's bank account - so you will be in complete control.

How easy is it to find out who the principles are of this company?

Virtually impossible.

Is it possible to set up a VERY small office for records keeping and have someone site there on our behalf that works for us 20 hours a week? Is that something we would have to go there to take care of our self?

This isn't necessary. You don't have to have an office in the country if you don't want to. There is no requirement to do this.

If you do want an office, it's not a service that we provide. So you would need to arrange it.

If there is a marketing company located in the US that works as a billing and marketing firm for this company is there any special rules regarding the transfer of funds from that US company and this off shore company?

No, none that I am aware of. Non-US companies can do business with US companies (and vice versa) and

[redacted] = Redacted by the Permanent Subcommittee on Investigations

send payments and such.

Is there a list of companies already set up that we can choose from or can we pick the name our self?

You can choose the name yourself actually.

If so are they all LLC's or what kind of business's are they?

An offshore company (IBC) is a straight corporation. Basically what we would call a c-corp.

Thanks for your timely answers.

Regards

Dan Hogue

From: Equity Development Group [mailto:info@equitydevelopers.com]
Sent: Thursday, June 16, 2005 4:22 PM
To: [redacted]
Subject: Re: From EDG

Ok, no problem. There is actually a page on the site exactly for doing what you are talking about. Go to http://www.equitydevelopers.com/offshore_planning_center.asp and click on "build a new offshore plan" in the bottom left side of the page. this will ask you a few questions and then recomend a suite of products for your situation. Of course, if you have questions you can always call or email them to me.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

---- Original Message ----
From: [redacted]
To: 'Equity Development Group'
Sent: Thursday, June 16, 2005 11:44 AM
Subject: RE: From EDG

Yea I saw that part. What I am looking for is info on what is the best route what kind of questions do you have for me to determine what area is best for me. What type is best for me? I have never done this before.

From: Equity Development Group [mailto:info@equitydevelopers.com]
Sent: Thursday, June 16, 2005 10:46 AM
To: [redacted]
Subject: From EDG

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Dear [redacted]

Thank you for contacting EDG. I have pasted your questions, with my answers, below. Please let me know if you have any other questions that I can answer.

Hi,I am interested in setting up an offshore company. We would prefer something within the EU. Privacy and security issues are important.Please forward me any info you have. Time and speed are also important.Thank You.Regards[redacted]

EDG's fees and services can be found at www.equitydevelopers.com/order

Thank you again for contacting EDG and please do not hesitate to contact me with any additional questions.

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: [redacted]
T : <info@equitydevelopers.com>
Sent: Thursday, January 06, 2005 4:14 PM
Subject: RE: From EDG

Hi Sam,

What is involved in a name change and is it quick to do this? I also thing a bank change is required as well for at least the majority of the assets.

[redacted]

>From: "Equity Development Group" <info@equitydevelopers.com>
>Reply-To: "Equity Development Group" <info@equitydevelopers.com>
>To: [redacted]
>Subject: From EDG
>Date: Wed, 5 Jan 2005 13:22:24 -0600
>
>
>Dear [redacted]
>
>Thank you for contacting EDG. I have pasted your questions, with my
>answers, below. Please let me know if you have any other questions that I
>can answer.
>
>Hi Sam,It appears that my wife has found out about my account and IBC and
>now wishes to control the money that is in it. I beleive that I should open
>a new Bank account with a different bank and transfer the money to further
>protect it. What are your suggestions regarding this situation?
>
>Does she know the IBC name? If so, you might want to form a new company or
>just change the name of your existing one. We can also set up another
>account at a 2nd bank - that certainly wouldn't hurt.
>
>PaulAberdeen Investments Inc.
>
>Thank you again for contacting EDG and please do not hesitate to contact me
>with any additional questions.
>
>Thank you.
>
>Sam Congdon
>Equity Development Group
>1-800-237-5163
>214-237-2915
>Fax: 214-722-1910
>US@Equitydevelopers.com

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 81

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Sent: Saturday, January 08, 2005 5:28 PM
Subject: Re: Questions regarding offshore accounts

[redacted]

Swiss accounts aren't that secure (i don't recomend them) because in order to get one you have to get an apostilled copy of a passport - what that means is that you have to tell your state govt. that you are presenting a copy of your passport in Switzerland. That throws whatever privacy someone might have hoped to achieve out the window. Also, having a personal account does not protect you should you get sued and loose. Because it is a personal account, you will have to list it as among your assets - it doesn't matter what Switzerland's laws are. Having an offshore structure in place prevents this from happening. I would recomend reading the following page on the EDG site: http://www.equitydevelopers.com/offshore_101.asp This will give you a good idea of why a structure (rather than just an account) is the best way to go.
Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: info@equitydevelopers.com
Sent: Saturday, January 08, 2005 1:02 AM
Subject: Re: Questions regarding offshore accounts

Sam,
The research I've done indicates that a Swiss bank account is protected because Switzerland has strict privacy laws. If lawsuits and creditors can't find my account, they can't attach it.
How does an offshore structure provide more protection than that?

[redacted]

----Original Message Follows----
From: "Equity Development Group" <info@equitydevelopers.com>
Reply-To: "Equity Development Group" <info@equitydevelopers.com>
To: [redacted]
Subject: Re: Questions regarding offshore accounts
Date: Thu, 6 Jan 2005 17:58:06 -0600

[redacted]

Thank you for your email. Having an offshore account won't really protect your assets because everything is still in your personal name. What will protect you from lawsuits and such is an offshore structure. I would recomen reading the following page on the EDG site:

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 82

EDG-EML 391

http://www.equitydevelopers.com/offshore_101.asp This will give you a good idea of why a structure (rather than just an account) is the best way to go.

Please let me know if you have any additional questions.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Thank you.

Sam Congdon
Equity Development Group
1-800-237-5163
214-237-2915
Fax: 214-722-1910
US@Equitydevelopers.com

----- Original Message -----
From: [redacted]
To: [redacted]
Sent: Thursday, January 06, 2005 5:32 AM
Subject: Questions regarding offshore accounts

I am interested in opening an offshore account to protect my assets from my ex-wife and uncle sam. My ex-wife recently obtained a judgement against me, without my knowledge, and the courts 'stole' a substantial sum from my checking account also without my knowledge. It took me over three months and a lot of stress and legal fees to reverse the judgement and get my money back.

I am leaning towards simply opening a swiss bank account. It's free and seems to offer me the protection I need. My friend Ben states that he knows you and has done business with you and that I should contact you first.

What does the offshore corporation that you offer provide above the protections offered by swiss banks.

Thanks for your immediate reply.
[redacted]

U.S. Department of Justice
Tax Division

Western Criminal Enforcement Section
P.O. Box 972, Ben Franklin Station
Washington, D.C. 20044

(202) 514-5684
Telefax: (202) 514-9623

June 23, 2004

MEMORANDUM OF PLEA AGREEMENT

TO:

FROM: Caryn D. Mark
Edmund P. Power
John J. Kaleba
Trial Attorneys, Dept. of Justice - Tax Division

SUBJECT: U.S. v. Lawrence Turpen

I PLEA NEGOTIATION

The Defendant, LAWRENCE TURPEN, is charged in a single count Information, filed ____, with a violation of Title 18, United States Code, Section 371, Conspiracy to Defraud the United States.

The Government and the Defendant have agreed to the following:

1. Defendant will waive indictment and plead guilty as charged in the Information. The Department of Justice Tax Division and the United States Attorney's Office for the District of Nevada agree not to file any additional charges under Titles 18, 26, or 31 concerning the conduct alleged in the Plea Agreement and Information regarding tax years 1998, 1999, 2000, 2001, 2002, or 2003, with the understanding that the Court may consider all of the facts and circumstances relating to these years when deciding the appropriate sentence pursuant to U.S.S.G. § 1B1.3.

2. This plea is made pursuant to Rule 11 of the Federal Rules of Criminal Procedure and is not intended to be binding on the Court.

3. Defendant is aware that his sentence will be imposed in accordance with the Sentencing Guidelines and Policy Statements. Defendant is aware that the Court has jurisdiction and authority to impose any sentence within the statutory maximum set for the offense to which he pleads guilty.

4. The parties agree that the applicable sentencing guidelines are U.S.S.G. §§ 2T1.1(a)(1) and 2T4.1(J) from the pre-2000 editions of the Sentencing Guidelines. Pursuant to these guidelines, the Base Offense Level for this offense is a level 15 because the total tax loss, including relevant conduct for the offense is more than $120,000.

5. The parties agree that the Base Offense Level is increased by two levels, to a level 17, pursuant to U.S.S.G. § 2T1.1(b)(2) because the offense involved sophisticated concealment.

6. The Government agrees not to oppose Defendant's request for a reduction for acceptance of responsibility under U.S.S.G. § 3E1.1 as long as he continues to demonstrate his acceptance of responsibility in all further proceedings, including interviews with the United States Probation Office. Under U.S.S.G § 3E1.1, if Defendant's offense level is 16 or greater, then the offense level is decreased by 3 levels.

7. The parties agree that the Government is not bound by the U.S. Probation Office's decision as to whether Defendant has accepted responsibility, and it is understood that the Government will make its own independent evaluation of this adjustment to the offense level.

8. The parties agree that the Government may argue against and Defendant may argue for a downward departure pursuant to U.S.S.G. § 5K2.0.

9. The Government agrees not to oppose Defendant's request for a sentence at the low end of the Guidelines Range as determined by the Court. If the Court finds that Defendant falls within Zone C of the Guidelines Range, the Government agrees not to oppose Defendant's request for a split sentence.

10. The parties agree that there are no other applicable Chapter Two or Chapter Three adjustments.

11. The parties agree that the Offense Level calculation set forth above is based upon information concerning this offense and the Defendant as it is known at the present time and could change based upon the investigation by the United States Probation Office and after the Court makes its own determination of the appropriate Offense Level. The parties further acknowledge that the determination of the Criminal History Category directly affects the possible sentencing range available to the Court. The parties have not made any stipulation concerning the Defendant's Criminal History Category.

12. Defendant agrees to meet and cooperate with Internal Revenue Service officials in the determination and satisfaction of his civil tax liabilities. Defendant consents to any motion by the United States under Rule 6(e)(3)(C) of the Federal Rules of Criminal Procedure, to disclose grand jury material to the Internal Revenue Service for use in computing and collecting Defendant's taxes, interest and penalties, and to the civil and forfeiture sections of the United States Attorney's Office for use in identifying assets and collecting fines and restitution. Defendant further agrees to make all books, records and documents available to the Internal Revenue Service for use in computing Defendant's taxes, interest and penalties for the years 1998 through 2003. Defendant agrees to cooperate fully with the IRS in filing true and correct tax returns for the years 1998 through 2003 and in determining his corrected tax liability for the

years 1998 through 2003, including any penalties and interest owed. Defendant agrees to make satisfactory arrangements with the IRS for payment of any taxes, penalties and interest owed. Defendant reserves the right to pursue all applicable civil administrative and judicial remedies with the IRS should he dispute the IRS's tax liability findings and conclusions.

13. Defendant agrees to fully and honestly cooperate with the Government in this and other investigations by submitting to interviews with and offering assistance to the Department of Justice, United States Attorney's Office for the District of Nevada, the Internal Revenue Service and any other State or Federal agency. Defendant agrees to give truthful and complete statements or testimony in interviews and before any grand jury or during any trial. Should the Government be satisfied, in its sole discretion, that Defendant has provided substantial assistance to the United States consistent with his obligations as set forth above, then the Government, prior to Defendant's sentencing, will file a motion pursuant to U.S.S.G. § 5K1.1. The motion will recommend that the Court impose a sentence below the total offense level as finally computed by the Probation Department. The extent of the downward departure, if made, is at the sole discretion of the Government. The criteria which will guide the Government in determining whether to execute the potential concessions will be an evaluation of Defendant's honesty, forthrightness, truthfulness and completeness during any statements and/or testimony he may give in the course of this investigation. Another consideration in determining whether the Government will file a downward departure motion will be the value of Defendant's assistance.

14. Defendant is also aware that 18 U.S.C. § 3742 gives him a right to appeal the sentence to be imposed and that other federal laws give him rights to appeal other aspects of his conviction. In exchange for the concessions made by the United States in the instant Plea Agreement, Defendant knowingly and expressly waives his right to appeal any sentence to be imposed that is within the applicable Sentencing Guidelines range, further waives his right to appeal the manner in which the sentence was determined on the grounds set forth in 18 U.S.C. § 3742, and further waives his right to appeal any other aspects of his conviction or sentence. Defendant reserves only the right to appeal any sentence imposed to the extent, but only to the extent, that the sentence is an upward departure and outside the range established by the applicable Sentencing Guidelines.

II PENALTY

A. Statutory:

18 U.S.C. § 371 provides for a penalty of imprisonment of not more than 5 years, or a fine of not more than $250,000, or both, together with the costs of prosecution. 18 U.S.C. § 3571(b)(3).

B. Sentencing Guidelines

Probation is available if the minimum term of imprisonment under the Guideline range is in Zone A. U.S.S.G. § 5B1.1(a)(1) and §5BC1.1(b).

If the minimum term is in Zone B, probation is only available if it includes a condition or combination of conditions that require intermittent confinement, community confinement, or

home detention. U.S.S.G. § 5B1.1(a)(2) and § 5C1.1(c)(3). The Court may also impose a sentence of imprisonment that includes a term of supervised release with a condition that substitutes community confinement or home detention, provided that at least one month is satisfied by imprisonment. U.S.S.G. § 5C1.1(c)(2).

If the minimum term is in Zone C, a term of imprisonment must be imposed, but may include a term of supervised release with a condition that substitutes community confinement or home detention, but at least one-half the minimum term must be satisfied by imprisonment. U.S.S.G. § 5C1.1(d)(2).

If the minimum term is in Zone D, then the minimum term must be satisfied by a sentence of imprisonment only. U.S.S.G. § 5C1.1(f).

A federal prison sentence can no longer be shortened by early release on parole, because parole has been abolished. However, Defendant may qualify for a reduction of approximately 15% of his sentence for good conduct. 18 U.S.C. § 3624(b). Under U.S.S.G. § 5D1.1(a), a term of supervised release following a term of imprisonment is required when the term of imprisonment is more than one year. A term of supervised release is discretionary in any other case. U.S.S.G. § 5D1.1(b). Under 18 U.S.C. § 3559(a)(4), the violation set forth in the Information is a Class D felony and, therefore, pursuant to U.S.S.G. § 5D1.2(b)(2), a term of supervised release of at least two years but not more than three years must be ordered, if a term of supervised release is imposed. 18 U.S.C. § 3583(b)(2).

Under the provisions of U.S.S.G. § 5E1.2(a), the Court is required to impose a fine unless Defendant establishes that he is unable to pay any fine. However, U.S.S.G. § 5E1.2(f) allows the Court to lower or waive any fine or impose an alternative sanction such as community service, if Defendant establishes that he does not have the ability to pay a fine.

18 U.S.C. §§ 3663 or 3663A and U.S.S.G. § 5E1.1 permit restitution as deemed appropriate by the Court.

Pursuant to 18 U.S.C. § 3013(a)(2)(A) and U.S.S.G. § 3E1.3, the Court is required to impose a special assessment in the amount of $100.00. This special assessment shall be collected in the same manner that fines are collected in criminal cases.

III ESSENTIAL ELEMENTS OF THE OFFENSE

Before a verdict of guilty can be found, the Government would have to prove the following elements of 18 U.S.C. § 371 beyond a reasonable doubt:

1. The existence of an agreement by two or more persons to defraud the United States;

2. To impede, impair, obstruct or defeat the lawful assessment and collection of income taxes by deceitful and dishonest means; and

3. The commission of an overt act in furtherance of the conspiracy.

IV FACTUAL STATEMENT RELEVANT TO SENTENCING

From in or about January 1995, and continuing thereafter up to and including at least September 4, 2002, in the District of Nevada and elsewhere, Defendant LAWRENCE TURPEN, did unlawfully, willfully, and knowingly conspire and agree with R.H. and others, known and unknown, to defraud the United States through deceitful and dishonest means by impeding, impairing, obstructing, and defeating the lawful functions of the IRS, U.S. Department of Treasury, in the ascertainment, computation, assessment and collection of income taxes.

In or about 1987, after retiring from a career in dentistry, Defendant became a full-time financial consultant specializing in international structures, international investments, and international tax planning. His business was called "LAD Financial Services, Inc," short for Life After Dentistry ("LAD"). Defendant solicited clients at speaking engagements and through his 1990 book "Offshore Options for Small Business," which was republished in 1994 as "How and Why Americans Go Offshore." Defendant also maintained a comprehensive website advertising his products and services. Defendant also maintained a website for LAD which stated that IRS regulations require taxes to be paid on worldwide income that is linked to the US citizen or business entity. The website stated that it is therefore essential to break the connecting factors between the US citizen and the foreign company, otherwise, the "whole program is tainted." The book and website advocated the use of foreign entities to reduce and eliminate federal income taxes.

In individual consultations with clients, Defendant advised that clients could defeat the assessment and collection of their taxes through the use of domestic and foreign business entities. Defendant advised and assisted in the creation of domestic and foreign business entities and recommended that the foreign entities should be located in jurisdictions that did not traditionally provide financial information to the United States. Defendant also advised clients not to report their ownership interests in the foreign entities and to disguise the appearance that they controlled those entities by naming nominees or administrators and by not owning stock in the entities. Defendant knew that clients retained beneficial interests in their offshore entities.

Defendant advised that the client could apply for a position with the company as consultant. As such, the client would be in a "powerful position of influence" where his management decisions would be ratified by the board of directors, yet the client gives up "what appears to be control" of the foreign corporation. Defendant recommended the nominees or administrators for the clients. Defendant further explained that serving as a consultant of a foreign company offered many indirect non-taxable personal benefits that would increase the taxpayer's quality of life. In his book and in personal consultations, Defendant explained that "it is normal in business and recognized by any government that the costs of doing business are deductible from gross income. This includes general and administrative expenses, which can be loaded with personal benefits."

With this business structure in place, Defendant advised and assisted clients in conducting sham transactions to fraudulently shift their personal income or domestic corporate income to the untaxed foreign entity. Defendant instructed clients that their foreign entity should charge consulting and research fees to the domestic corporation. These charges could be

deducted by the domestic corporation and also would move money offshore to the foreign entity. Defendant and his clients knew that these business deductions had no economic substance. Defendant also advocated to clients the use of private annuities as a method of evading capital gains tax. Defendant advised clients to create documents for these sham transactions to give them the appearance of legitimacy.

Defendant also explained to clients how to repatriate untaxed money from their offshore corporations. Defendant advised his clients to obtain loans from the foreign entities to pay for personal expenses, such as cars or houses. As purported loans, these transactions were not income to the clients and the clients could also deduct the purported interest they paid on the loans on their income tax returns. Additionally, the loan repayments were another method to transfer pre-tax funds to the clients's foreign entity. Defendant and his clients knew that these loans were fraudulent, self-dealing transactions in which clients would be borrowing money from themselves. Defendant recommended other methods of fraudulently repatriating untaxed money including having the foreign entity pay for personal vacations or giving non-taxed educational grants to the clients's children.

As a continuing part of the conspiracy, clients paid quarterly maintenance fees to Defendant through his beneficially owned offshore entity, Intercon Associates. The quarterly fees were used for the continuing upkeep of the clients's offshore entities, including foreign administrator fees and annual corporate filing fees. Excess amounts of funds in Intercon Associates were then retained by Defendant for his beneficial use. Defendant advocated the use of Intercon Associates as the conduit for these fees to create another layer of separation between the client and their offshore entity. Defendant advised that the payment of such fees directly by the client would indicate ownership and direction of the offshore entity by the client.

In approximately 1995, Defendant agreed to assist R.H. in illegally reducing and defeating the assessment and collection of his taxes. Defendant created domestic and offshore corporations for R.H. for the purpose of transferring business income offshore and creating false expense deductions to reduce or eliminate taxable income. Defendant set up a Nevada corporation for R.H. called B.D., Inc. Defendant also set up an Isle of Man corporation, L.P., Ltd. Defendant arranged nominee individuals and resident agent services for both the domestic and offshore corporations to disguise R.H.'s beneficial interest in those companies. As part of the scheme, R.H. was designated the "consultant" to L.P., Ltd., with complete control over the source and application of the funds. R.H. caused L.P., Ltd. to pay quarterly fees to Intercon Associates.

In initial meetings with R.H., Defendant advised R.H. how to transfer some of the proceeds from his business operations in Atlanta, Georgia, to a bank account in Reno, Nevada. Defendant advised R.H. that he could devise false transactions between the domestic and offshore corporate structure to create the appearance of legitimate business relationships between the domestic and offshore structures. Defendant recommended a variety of transactions to R.H., including research, consulting and management "agreements," which would reduce or eliminate corporate tax liabilities. Defendant advised R.H. that once funds were transferred offshore, R.H. could repatriate these funds through the use of fictitious transactions, such as loans.

V STATEMENT OF THE DEFENDANT

I, LAWRENCE TURPEN, hereby acknowledge that I have thoroughly read and reviewed this memorandum and agree that it completely and accurately states the facts supporting my plea of guilty and the negotiations between myself, my attorney, and the Government. I have discussed the contents of this memorandum with my attorney and they have been explained to my satisfaction.

I have explained the facts and circumstances surrounding this case completely to my attorney and have been advised of what legal courses of action I may take. These discussions have included what might happen if I go to trial, what evidence the Government has against me, and the possible defenses, if any, I may have to these criminal charges.

My attorney has not promised me anything not mentioned in this plea memorandum and, in particular, my attorney has not promised that I will get any specific sentence. I understand that any discussion with my attorney about the possible sentence I might receive from the Court are just predictions and not binding on the Court. I know I cannot withdraw my guilty plea because my attorney's sentencing predictions turn out to be wrong.

My attorney has also explained to me my Constitutional rights, including my right to a jury trial, to confront my accusers, to call witnesses on my own behalf, and my right to remain silent. My attorney has further explained to me that I have to waive these rights, that is, give them up, in order to have my guilty plea accepted by the Court.

I understand that the Government will fully inform the Court and the United States Probation Office of the nature, scope, and extent of my conduct regarding the facts and circumstances of the charges against me, and any and all related matters in aggravation or mitigation concerning the issue of my sentencing.

I know if the Government is making a non-binding recommendation as to what type of sentence I should receive, the Court does not have to follow that recommendation. I also understand that I cannot withdraw my guilty plea because the Court decides to not follow the non-binding sentencing recommendation of the Government.

I further understand that the matter of sentencing is entirely up to the Court. Any stipulations or agreements between myself, my attorney, and the Government are not binding upon the Court. I know the Court will decide my sentence based upon the facts of this case, my personal background, and the Sentencing Guidelines.

Finally, I understand that the decision to plead guilty or go to trial is mine alone. As stated above, I have discussed this case fully with my attorney and received legal advice about what is the best course of action that I should take. My decision after receiving this advice is to plead guilty under this agreement.

LAWRENCE TURPEN — Date: 6-24-04

STEVEN WILSON
Counsel for Defendant — Date: 6/24/04

U.S. Department of Justice
Tax Division

Western Criminal Enforcement Section
P.O. Box 972, Ben Franklin Station
Washington, D.C. 20044

(202) 514-5684
Telefax: (202) 514-9623

October 6, 2004

MEMORANDUM OF PLEA AGREEMENT

TO: Honorable Judge David Hagen

FROM: Caryn D. Mark
Edmund P. Power
Trial Attorneys, Department of Justice – Tax Division

SUBJECT: United States v. Robert F. Holliday
CR-N-04-0117 - DWH-VPC

I PLEA NEGOTIATION

The Defendant, ROBERT F. HOLLIDAY, is charged in a single count Information, filed August 31, 2004, with a violation of Title 18, United States Code, Section 371, Conspiracy to Defraud the United States.

The Government and the Defendant have agreed to the following:

1. Defendant will waive indictment and plead guilty as charged in the Information. The Department of Justice, Tax Division and the United States Attorney's Office for the District of Nevada agree not to file any additional charges under Titles 18, 26, or 31 concerning the conduct alleged in the Plea Agreement and Information regarding tax years 1998, 1999, 2000, 2001, 2002, or 2003, with the understanding that the Court may consider all of the facts and circumstances relating to these years when deciding the appropriate sentence pursuant to U.S.S.G. § 1B1.3.

2. This plea is made pursuant to Rule 11 of the Federal Rules of Criminal Procedure and is not intended to be binding on the Court.

3. Defendant is aware that his sentence will be imposed in accordance with the Sentencing Guidelines and Policy Statements. Defendant is aware that the Court has jurisdiction and authority to impose any sentence within the statutory maximum set for the offense to which he pleads guilty.

4. The parties agree that the applicable sentencing guidelines are U.S.S.G. §§ 2T1.1(a)(1)

18

and 2T4.1(J) from the pre-2000 edition of the Sentencing Guidelines. Pursuant to these guidelines, the Base Offense Level for this offense is a level 16 because the total tax loss, including relevant conduct for the offense is more than $200,000 but less than $325,000.

5. The Government agrees not to oppose Defendant's request for a reduction for acceptance of responsibility under U.S.S.G. § 3E1.1 as long as he continues to demonstrate his acceptance of responsibility in all further proceedings, including interviews with the United States Probation Office. The parties agree that the Government is not bound by the U.S. Probation Office's decision as to whether Defendant has accepted responsibility, and it is understood that the Government will make its own independent evaluation of this adjustment to the offense level.

6. The parties agree that there are no other applicable Chapter Two or Chapter Three adjustments.

7. The parties agree that the Offense Level calculation set forth above is based upon information concerning this offense and the Defendant as it is known at the present time and could change based upon the investigation by the United States Probation Office and after the Court makes its own determination of the appropriate Offense Level. The parties further acknowledge that the determination of the Criminal History Category directly affects the possible sentencing range available to the Court. The parties have not made any stipulation concerning the Defendant's Criminal History Category.

8. Defendant understands that pursuant to the United States Sentencing Guidelines, his sentence may be enhanced based on various facts that are relevant to the charge against him, but that were not found by a jury. Defendant understands that the Supreme Court's decision in ~~Blakely v. United States~~, 542 U.S. ___ (2004), could be interpreted to require the United States to allege such facts in an indictment and prove such facts to a jury beyond a reasonable doubt. Understanding these issues and having consulted with his attorney, Defendant hereby agrees to have his sentence determined under the United States Sentencing Guidelines and waives his right to raise any constitutional challenge to the validity of those Guidelines. Defendant also hereby waives any and all rights he may have under the Fifth and Sixth Amendments as interpreted in Blakely, including, but not limited to, any right to have facts that would increase his sentence alleged in an indictment and found by a jury beyond a reasonable doubt. In addition, Defendant agrees that such facts may be found by the judge by a preponderance of the evidence based on any reliable evidence, including hearsay and the stipulations and factual statements in this agreement. Defendant does not waive any rights he may have under the Fifth and Sixth Amendments as interpreted in Blakely as to enhancements and upward adjustments not agreed to in this agreement.

9. Defendant agrees to meet and cooperate with Internal Revenue Service officials in the determination and satisfaction of his individual and corporate civil tax liabilities. Defendant consents to any motion by the United States under Rule 6(e)(3)(C) of the Federal Rules of Criminal Procedure, to disclose grand jury material to the Internal Revenue Service for use in computing and collecting Defendant's individual and corporate taxes, interest and penalties, and to the civil and forfeiture sections of the United States Attorney's Office for use in identifying assets and collecting fines and restitution. Defendant further agrees to make all books, records

and documents available to the Internal Revenue Service for use in computing Defendant's individual and corporate taxes, interest and penalties for the years 1995 through 2003. Defendant agrees to cooperate fully with the IRS in filing true and correct individual and corporate tax returns for the years 1995 through 2003 and in determining his corrected tax liability for the years 1995 through 2003, including any penalties and interest owed. Defendant agrees to make satisfactory arrangements with the IRS for payment of any taxes, penalties and interest owed. Defendant reserves the right to pursue all applicable civil administrative and judicial remedies with the IRS should he dispute the IRS's tax liability findings and conclusions.

10. Defendant agrees to fully and honestly cooperate with the Government in this and other investigations by submitting to interviews with and offering assistance to the Department of Justice, United States Attorney's Office for the District of Nevada, the Internal Revenue Service and any other State or Federal agency. Defendant agrees to give truthful and complete statements or testimony in interviews and before any grand jury or during any trial. Should the Government be satisfied, in its sole discretion, that Defendant has provided substantial assistance to the United States consistent with his obligations as set forth above, then the Government, prior to Defendant's sentencing, will file a motion pursuant to U.S.S.G. § 5K1.1. The motion will recommend that the Court impose a sentence below the total offense level as finally computed by the Probation Department. The extent of the downward departure, if made, is at the sole discretion of the Government. The criteria which will guide the Government in determining whether to execute the potential concessions will be an evaluation of Defendant's honesty, forthrightness, truthfulness and completeness during any statements and/or testimony he may give in the course of this investigation. Another consideration in determining whether the Government will file a downward departure motion will be the value of Defendant's assistance.

11. Defendant is also aware that 18 U.S.C. § 3742 gives him a right to appeal the sentence to be imposed and that other federal laws give him rights to appeal other aspects of his conviction. In exchange for the concessions made by the United States in the instant Plea Agreement, Defendant knowingly and expressly waives his right to appeal any sentence to be imposed that is within the applicable Sentencing Guidelines range, further waives his right to appeal the manner in which the sentence was determined on the grounds set forth in 18 U.S.C. § 3742, and further waives his right to appeal any other aspects of his conviction or sentence. Defendant reserves only the right to appeal any sentence imposed to the extent, but only to the extent, that the sentence is an upward departure and outside the range established by the applicable Sentencing Guidelines.

II PENALTY

A. Statutory:

18 U.S.C. § 371 provides for a penalty of imprisonment of not more than 5 years, or a fine of not more than $250,000, or both, together with the costs of prosecution. 18 U.S.C. § 3571(b)(3).

B. Sentencing Guidelines

Probation is available if the minimum term of imprisonment under the Guideline range is

in Zone A. U.S.S.G. § 5B1.1(a)(1) and §5BC1.1(b).

If the minimum term is in Zone B, probation is only available if it includes a condition or combination of conditions that require intermittent confinement, community confinement, or home detention. U.S.S.G. § 5B1.1(a)(2) and § 5C1.1(c)(3). The Court may also impose a sentence of imprisonment that includes a term of supervised release with a condition that substitutes community confinement or home detention, provided that at least one month is satisfied by imprisonment. U.S.S.G. § 5C1.1(c)(2).

If the minimum term is in Zone C, a term of imprisonment must be imposed, but may include a term of supervised release with a condition that substitutes community confinement or home detention, but at least one-half the minimum term must be satisfied by imprisonment. U.S.S.G. § 5C1.1(d)(2).

If the minimum term is in Zone D, then the minimum term must be satisfied by a sentence of imprisonment only. U.S.S.G. § 5C1.1(f).

A federal prison sentence can no longer be shortened by early release on parole, because parole has been abolished. However, Defendant may qualify for a reduction of approximately 15% of his sentence for good conduct. 18 U.S.C. § 3624(b). Under U.S.S.G. § 5D1.1(a), a term of supervised release following a term of imprisonment is required when the term of imprisonment is more than one year. A term of supervised release is discretionary in any other case. U.S.S.G. § 5D1.1(b). Under 18 U.S.C. § 3559(a)(4), the violation set forth in the Information is a Class D felony and, therefore, pursuant to U.S.S.G. § 5D1.2(b)(2), a term of supervised release of at least two years but not more than three years must be ordered, if a term of supervised release is imposed. 18 U.S.C. § 3583(b)(2).

Under the provisions of U.S.S.G. § 5E1.2(a), the Court is required to impose a fine unless Defendant establishes that he is unable to pay any fine. However, U.S.S.G. § 5E1.2(f) allows the Court to lower or waive any fine or impose an alternative sanction such as community service, if Defendant establishes that he does not have the ability to pay a fine.

18 U.S.C. §§ 3663 or 3663A and U.S.S.G. § 5E1.1 permit restitution as deemed appropriate by the Court.

Pursuant to 18 U.S.C. § 3013(a)(2)(A) and U.S.S.G. § 3E1.3, the Court is required to impose a special assessment in the amount of $100.00. This special assessment shall be collected in the same manner that fines are collected in criminal cases.

III ESSENTIAL ELEMENTS OF THE OFFENSE

Before a verdict of guilty can be found, the Government would have to prove the following elements of 18 U.S.C. § 371 beyond a reasonable doubt:

1. The existence of an agreement by two or more persons to defraud the United States;

2. To impede, impair, obstruct or defeat the lawful assessment and collection of

income taxes by deceitful and dishonest means; and

3. The commission of an overt act in furtherance of the conspiracy.

IV FACTUAL STATEMENT RELEVANT TO SENTENCING

From in or about January 1995, and continuing thereafter up to and including at least September 4, 2002, in the District of Nevada and elsewhere, Defendant ROBERT F. HOLLIDAY, did unlawfully, willfully, and knowingly conspire and agree with Lawrence Turpen and others, known and unknown, to defraud the United States through deceitful and dishonest means by impeding, impairing, obstructing, and defeating the lawful functions of the IRS, United States Department of Treasury, in the ascertainment, computation, assessment and collection of income taxes.

In approximately 1995, Defendant sought assistance from Turpen in illegally reducing and defeating the assessment and collection of his taxes. Defendant and Turpen created domestic and offshore corporations for the purpose of transferring business income offshore to reduce or eliminate taxable income. Among the corporations set up by Defendant and Turpen were Business Directions, Inc, a Nevada corporation, and Landmark Planning, Ltd, an Isle of Man corporation.

Defendant and Turpen disguised Defendant's beneficial interest in the domestic and offshore corporations through the use of nominee individuals and resident agent services for those companies. Defendant was designated the "consultant" to Landmark Planning, Ltd., but maintained complete control over the source and application of the funds of the domestic and offshore corporations. Defendant caused Landmark Planning, Ltd. to pay quarterly fees to Turpen's company, Intercon Associates, for the maintenance of these corporate structures.

Defendant and Turpen devised and conducted sham transactions between the domestic and offshore corporations to move income to the untaxed offshore entity and to reduce or eliminate the corporate tax liabilities of the domestic entity. These transactions had no economic substance. To create the appearance of legitimate business relationships between the domestic and offshore structure, Defendant documented these transactions as research, consulting, or management expenses.

From 1996 to 2003, Defendant provided the Business Directions, Inc. tax return preparer with false income and expense information that included the sham transactions between Business Directions, Inc. and Landmark Planning, Ltd. Based in part on this information, the return preparer prepared false corporate income tax returns for tax years 1996 through 2002, resulting in a total tax loss greater than $200,000 but less than $325,000.

Defendant repatriated the untaxed money from his offshore corporation by obtaining purported loans from the offshore corporation. As purported loans, these transactions were not included in Defendant's income. Defendant knew that these loans were fraudulent, self-dealing transactions in which he was borrowing money from himself.

V STATEMENT OF THE DEFENDANT

I, ROBERT F. HOLLIDAY, hereby acknowledge that I have thoroughly read and reviewed this memorandum and agree that it completely and accurately states the facts supporting my plea of guilty and the negotiations between myself, my attorney, and the Government. I have discussed the contents of this memorandum with my attorney and they have been explained to my satisfaction.

I have explained the facts and circumstances surrounding this case completely to my attorney and have been advised of what legal courses of action I may take. These discussions have included what might happen if I go to trial, what evidence the Government has against me, and the possible defenses, if any, I may have to these criminal charges.

My attorney has not promised me anything not mentioned in this plea memorandum and, in particular, my attorney has not promised that I will get any specific sentence. I understand that any discussion with my attorney about the possible sentence I might receive from the Court are just predictions and not binding on the Court. I know I cannot withdraw my guilty plea because my attorney's sentencing predictions turn out to be wrong.

My attorney has also explained to me my Constitutional rights, including my right to a jury trial, to confront my accusers, to call witnesses on my own behalf, and my right to remain silent. My attorney has further explained to me that I have to waive these rights, that is, give them up, in order to have my guilty plea accepted by the Court.

I understand that the Government will fully inform the Court and the United States Probation Office of the nature, scope, and extent of my conduct regarding the facts and circumstances of the charges against me, and any and all related matters in aggravation or mitigation concerning the issue of my sentencing.

I know if the Government is making a non-binding recommendation as to what type of sentence I should receive, the Court does not have to follow that recommendation. I also understand that I cannot withdraw my guilty plea because the Court decides to not follow the non-binding sentencing recommendation of the Government.

I further understand that the matter of sentencing is entirely up to the Court. Any stipulations or agreements between myself, my attorney, and the Government are not binding upon the Court. I know the Court will decide my sentence based upon the facts of this case, my personal background, and the Sentencing Guidelines.

Finally, I understand that the decision to plead guilty or go to trial is mine alone. As stated above, I have discussed this case fully with my attorney and received legal advice about what is the best course of action that I should take. My decision after receiving this advice is to plead guilty under this agreement.

ROBERT F. HOLLIDAY — Date: 10/6/04

BRUCE MORRIS
Counsel for Defendant — Date: 10/6/04

PERSONAL AND CONFIDENTIAL

INTERNATIONAL BUSINESS PLAN

prepared for

LANDMARK PLANNING LTD

LAD FINANCIAL SERVICES, INC.
AND
INTERCON ASSOCIATES, LTD.
DOUGLAS, ISLE OF MAN

All of the information contained in this document is considered confidential and is maintained with your records in our offices outside the United States.

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1. "LANDMARK PLANNING LTD" PLAN SUMMARY

1.1. THIS DOCUMENT IS PREPARED FOR THE BENEFIT OF THE COMPANY BOARD OF DIRECTORS, ITS EMPLOYEES, AND CONSULTANTS. IF YOU DO NOT MEET ONE OF THESE QUALIFICATIONS YOU SHOULD STOP READING IMMEDIATELY.

Welcome as a client of Intercon Associates and its affiliated companies throughout the world. Intercon is the parent company of a network of companies with investment and business administration contacts world wide that offer its clients international business opportunities.

1.2. LAD Financial Service is the contracted United States representative of Intercon Associates, Ltd, which is itself an international business consultancy firm. The primary service of Intercon Associates is to operate foreign companies on behalf of our clients in a way that will enable them to effectively do business worldwide from a tax free jurisdiction. Through LAD Financial Service, we continually meet and work with our clients and discuss the various opportunities that may exist for international expansion of their business. We also discuss the many options for capital accumulation and preservation through the use of foreign or domestic asset protection and accumulation entities.

1.3. Inasmuch as you and your advisors have indicated your desire to contract with Intercon Associates to establish such a business structure, we hereby submit this business summary. The information submitted to us and the additional information gathered from personal contact are used as the basis of this report. When it is determined that affiliation with a foreign company or trust would be helpful to the client, personnel from LAD will refer the matter to one of our associated companies in Europe or the Caribbean for the actual formation and management of the company entity.

1.4. When the structure is properly established it can be any kind of business or financial service. We strive to set up the company and to operate it in such a way that there are no residual problems that may arise in the future due to the clients affiliation with the company structure. We try to do it in a timely manner, consistent with good business judgment.

1.5. In this document, the first step in our "International Business Plan," we will more specifically tailor our comments to your specific needs. In our periodic update of this document for our clients we often give specific procedures and suggestions for the successful operation of the company.

1.6. Your initial plan will include the use of an Isle of Man Hybrid Guarantee company with two classes of members. The Class A members will be the guarantors or their appointed directors. These will both be bonded foreign individuals resident or non-resident on the Isle of Man, who will act as the officers

and directors of the company. The B member will be you or your assignees. To break the connecting factor, Class B members have no vote in company operations but are given the rights of distribution of company assets.

1.7. We want to assure you as active members of the International Tax Planners Association, the Off Shore Institute, and as consultants committed to the good of our clients, we will do our utmost to give you the best possible comprehensive international business service. Our in house legal staff is prepared to offer you required legal services at the best possible rates and with the utmost attention to detail.

2. THE FIRST MEETING OF "LANDMARK PLANNING LTD"

2.1. The basis of our program is Business. And the business of business is business. It is legal to do business and to interact with other business people in any part of the world. You must be sure your product or service is a legal transaction between countries but in all cases some form of business can take place. You should always structure business transactions in the form of a contract.

2.2. Another important fact to remember is that each of us is in business in some way in virtually every thing we do. We are all salesmen and without a successful sale of our idea, product, or service there is no exchange of money or goodwill. So everything we do will center around the successful transaction of some sort of business.

2.3. You are an experienced businessperson and are well trained in your particular field. Though we are always interested in the particular business the client undertakes, we make no effort to advise him on those details. Our expertise is in basic international company management and structure. We always stand ready to assist in the analysis of transactions and helping the client through the intricacies of these. In any case, so that we will know your intent, feel free to discuss with us in detail your plans with regard to off shore involvement.

2.4. Each new client offers a new and different challenge. The needs of no two clients are exactly alike. For instance, since "Landmark Planning Ltd" is essentially a holding company, or investment company we choose to domicile it in a different country than one that is to be used as a normal sales or management company. An active company is welcome in virtually any international jurisdiction.

3. THE NEED FOR PROFESSIONAL ESTATE PLANNING

3.1. Our role is one of international business consultancy and company administration. Though our company associates may make suggestions, we do not make any final investment decisions or do domestic estate planning. We leave the former to the client and his advisors, and the latter to the professional tax attorneys and accountants. However, our experience and activity in this area give us the opportunity to see and evaluate the ability of many such professionals. Indeed, our office is affiliated with several legal firms and offers comprehensive estate planning as well as business and tax planning.

3.2. That is not to say that we leave you to your own devices. We do not. We attempt to constantly keep you informed with regard to trends in currency and interest rates in the five or six strong currencies of the world. This will allow you to make intelligent decisions with regard to which currency to use in your international investment program in order to maximize the return due to currency fluctuations.

3.3. Though we are not attorneys we are often asked by our clients or prospective clients if we can assist them in the self administration of the international company or trust. Through the good offices of LAD Financial Service, we are happy to do so and have developed a complete library of forms to make it possible to create many of the domestic and international structures. Many legal forms are in the public domain. An astute businessperson will use these forms and has them reviewed by an attorney saving hundreds of dollars in legal fees.

3.4. A potential client with assets or net worth in excess of $75,000 should not go another day without setting up a simple "Living Trust" and a "Will." Both of these documents are in our library and can be easily prepared for you at a minimum cost. They are simple and inexpensive to use and can save thousands of dollars in probate costs in the event of your death.

3.5. When a persons domestic estate has grown to over $1.2 million we insist that he or she meet with a competent estate planner or lawyer and include the integration of our off shore planning with a complete domestic estate plan. We choose to work with several trustees, estate planners, and attorneys who understand off shore integration and will work with our clients to review their estate planning needs and to set up these domestic structures. If this is your desire we will be happy to supply you with a name. At this point an international trust is almost always a part of the scheme.

3:6. We would hope that you have already attended to this important aspect of financial planning. If you have not done so, and it is determined that this is an essential step, we will make that recommendation. There are many attorneys and accountants in the International Tax Planning Association that are extremely

well qualified in this area of expertise. We also work with clients of three of the four most prominent international trust attorneys in the United States.

SERVICES OF INTERCON ASSOCIATES

4. ABOUT "INTERCON ASSOCIATES, LTD"

4.1. Just as it is important that we know about you, in order to evaluate our services it is necessary that you know a little about us. As stated earlier, Intercon Associates is an off shore company with administrative offices in London. Intercon does company formation and administrative work on behalf of our clients in all parts of the world. We specialize in high net worth individuals from high tax jurisdictions.

4.2. Pursuant to your request Intercon Associates has created the first essential element in off shore structures for your use. This is the Hybrid Guarantee Company on the Isle of Man that is more completely described below. This is the basic company that can serve as the "Bank or Investment Company" if it is to stand alone. It is also used as the creator of the second level "trust" company if a "BTO" company structure is to be used.

4.3. The ongoing consultation we offer, of which this document is an integral part, will prepare you to use all the tools at your disposal to maximize the return on your capital or investment dollars. Our services include not only the set up and operation of a company in your behalf, but ongoing company management, the maintenance of necessary company records, an off shore address, and payment of all regular fees and assessments in connection with the company structure.

5. OUR EIGHT POINT SERVICE COMMITMENT

5.1. NUMBER 1. As a direct result of our consultation with you and our analysis of your needs, Intercon Associates will undertake to create a company structure and to offer you the responsible position of "Managing Consultant." We instruct the directors of the company to appoint you to this position of responsibility and to give you complete responsibility with regard to the source and application of funds.

5.2. We then undertake the responsibility of helping you use the company to maximize the return to the company and thus indirectly to you. We do this through ongoing consultation and advisory services.

If it is necessary to create additional structures to accomplish your objectives, we will do this in the proper jurisdiction for a nominal fee.

5.3. It should be stressed that you may be the only employee of the company and the directors by tradition and custom will ratify your decisions and will support your actions. You can count on this if they are assured that your actions are legal and will not cause harm to any individual connected with the company administration.

5.4. NUMBER 2. We encourage our clients to become well read and knowledgeable in the fields of Business Trusts, Asset Protection Trusts, International Business Organizations, and other entities that make up the arsenal of tools available to us as international business planners. We trust that each client has read our book, "How and Why Americans Go Offshore" This is the first step in understanding what we do and how we do it.

5.5. Though many of our clients do not initially need or use the trust system to its maximum advantage, it is always available and can be put in place at any time. The importance of this continuing education is that the rules of action with regard to trusts also applies to companies. If you substantiate your activity in the company to the same degree recommended in the trust organization you will not find problems with government or tax authorities.

5.6. NUMBER 3 Intercon Associates as the founder of the company will retain the position of "Assistant Administrator" and in that capacity retain the responsibility for selection of the guarantors, suitable company administration, the registered agent in the chosen country of domicile, and oversight with regard to the time charges that are charged to the company.

5.7. People with moderate means who use foreign companies find that often all the profit they could make in the company can be used up by time charges that are raised against the company by the company administrators. By contracting with Intercon Associates, you have effectively put an advocate on your side who is experienced and knowledgeable and can deal with the agents from a position of strength.

5.8. This is very important since most of the costs in international company administration can be caused by indiscriminate and unnecessary work resulting in costly time charges being raised against your company. The fact that the experienced personnel of Intercon can review these charges and intercede in your behalf will result in considerable reduction in unnecessary charges. If you so desire, fees raised against the company can be reviewed by Intercon personnel before they are sent on to you for approval for payment.

5.9. NUMBER 4 We create a definite BREAK IN THE CONNECTING FACTORS between you and the company by retaining unto Intercon Associates the responsibility for paying the fees to the country of company domicile along with the annual standing charges as long as our association stays active and current. This means that you as a citizen of the United States is never are in a position to write a check to the foreign government or administrator.

5.10. The payment of fees to government agencies is the first sign of activity with regard to off shore companies. With the structural plan that is organized by Intercon these fees are never raised to you directly. In fact, the address used on the company documents is in no way linked to you, the company is not organized by you and your role is reduced in documented form to that of a responsible consultant.

5.11. As long as Intercon assumes this responsibility with regard to the annual payment of fees, you are not substantially connected with the ownership and direction of the company. You can legally and logically take the position that it is not a controlled foreign company nor are you a director or in control of the bank accounts.

5.12. As a matter of fact, as a rule signature power on the company bank account is held by the company administrator and the directors, together with the designated bank officer. They will respond to your direction as the responsible employee and will act on your requests in a timely manner. Additionally, for your security, the board will allow you to set up control codes with the bank that gives you effective oversight of the accounts. These control codes can be explained in detail in our personal consultations. It therefore is not necessary to disclose your signature on a foreign account.

5.13. NUMBER 5, We do not leave our clients to fend for themselves in the investment world. We are aware that there are differences in the opportunities available to you through "Landmark Planning Ltd" and always strive to keep you abreast of the best of the lot. Having once created a company for the use of our clients, if requested we are obligated to provide that business with sound investment advice.

5.14. Therefore we retain an interest in an investment advisory service in London, and make available to our consultant/clients ongoing investment advisory services. We suggest that the client/consultant meet with the advisors and discuss their investment philosophy as well as the various products that are available to them. As your investment advisory service we will be responsible for suggesting the allocation of the excess assets of "Landmark Planning Ltd."

5.15. A part of this advisory service is to provide opportunities where our clients can meet and discuss their investment objectives with principle providers of investment products from around the world. To do this we will constantly make our clients aware of various seminars offered by others. We also find that we are in a position to refer clients to well-known investment advisors in this country who know and understand the system and use of foreign companies for investment purposes.

5.16. In most cases there are few additional charges other than the quarterly fees passed to the company. This is especially true if introductory fees paid to Intercon Associates in the course of placing investments on behalf of the company generate adequate income to off set the costs raised by the administrators involved in company management. If there are no income producing investments these costs are paid by the company to the each of the administrators.

5.17. NUMBER 6 We set up and maintain office accommodation facilities for "Landmark Planning Ltd" in London, where important records with regard to the company, such as the company charter, bylaws, and annual minutes are available at your convenience.

5.18. In some cases acting on the request of the client we will also retain copies of documents and other data that is best kept at a remote address. For practical purposes this is the "Landmark Planning Ltd" office and you are encouraged to keep whatever you feel is necessary at that address.

5.19. NUMBER 7 We provide mail forwarding service for "Landmark Planning Ltd," so that you can confidently use the London office for receipt of certain mail that for one reason or another could not be delivered to the United States. The required quarterly fees to Intercon Associates includes a postage allowance.

5.20. It is a fact that many of the better Mutual Funds will not send their prospectus to the United States. They are prohibited from doing so, because they have not submitted them to the costly and unnecessary review by the SEC. If you hear of such a fund, or if you should read about it in the London Financial Times, you can request that the prospectus be sent to the company address in London. From there it will be sent to you in our regular mail forwarding service packet.

5.21. NUMBER 8 The phone is answered at the London office in a general manner and you can confidently ask your business associates to call you at that location. A message will be taken and will be faxed or mailed to the address you specify for contact in this country. Though this service is rarely used it is available should you desire to use it.

5.22. We will, if the client company requires, set up a private line and answer the phone in the name of "Landmark Planning Ltd." "Landmark Planning Ltd" would be charged for the telephone equipment and service provided by British Telecom.

6. THIS INTERNATIONAL BUSINESS PLAN AND SUBSEQUENT UP-DATES

6.1. In order to clearly understand our system you should review the "Four Square Analysis" that is outlined in Chapter 15 of the book "How and Why Americans Go Offshore." All of the structures used by Intercon Associates clients are in fact set up and maintained by a foreign company and as such are foreign source companies. The initial capitalization as well as the operating structure is a function of the administration of "Landmark Planning Ltd" by Intercon Associates.

6.2. With regard to the international aspects of your financial affairs, we like to start each client with this document as the first in a series of reports designed to bring you up to speed in your relationship to the international marketplace. You also will receive a periodic up-date that can serve as an operations manual for "Landmark Planning Ltd." In fact, we generally report to our clients upon our return from each trip abroad.

6.3. Much of the information that will compose the corpus of this plan will be added over time either in consultation, by letter, or indeed as a periodic addendum to this document. It is our suggestion that you read this and store it in a secure place. It will not serve your purpose well, to make this material available to anyone other than yourself. So, treat it as a very private document. We will be happy to store it in your file in London, if that is your desire.

6.4. Obviously, the information requested in our initial interview was general and may not all have been needed for this initial report. However, this information will add additional information to our body of knowledge about you and your business plans. However, more detailed information may be needed should you require more complex business systems in the future. That information, together with this plan, will generate the basis of a sound and acceptable international structure.

6.5. Generally within the first six months of association with the client, we estimate that the initial analysis, reporting and consultation for the average client will take over 15 hours to prepare and will produce over 45 pages of written recommendations. This document is an essential part of that information. We include that estimated time in the initial consultation fee that was paid to LAD Financial Service.

6.6. We will continue to take advantage of input from the network of consultants who are active members of The ITPA and The Off Shore Institute. The business plan we recommend will continue to satisfy the three essential criteria of "Off Shore" business planning. Additionally, our quarterly fee includes an estimate of two hours of consultation time, so with careful planning you should never need to pay additional fees for excess consultancy services.

6.7. Before proceeding with any service, based on the outline of our services as provided in this document, we suggest you consult with your own attorney or accountant. Advise them of your intent and be assured that this is legal and will not constitute fraud or tax evasion. If you can not be comfortable with the proposal because of advice contrary to ours, the use of the companies will never succeed.

6.8. The completion of this document with the payment of the appropriate fee will constitute an agreement between you and Intercon Associates for them to go ahead with the necessary steps to establish an international system for your use as outlined in this "CONFIDENTIAL INTERNATIONAL BUSINESS PLAN" and to operate a company with which you can work as managing consultant or managing director.

6.9. It also assumes you to be the only employee of the company and as such responsible for the assets of the company and the source and application of funds. This fact will be included in the organizational minutes of the company or trust. This gives you some degree of security and control without making the entity a controlled foreign corporation.

6.10. It is also understood that the corporate minutes will reflect that Intercon Associates will be designated as an Assistant Administrator of this corporation and that the quarterly fees for that service will be automatically paid from the corporate checking account.

6.11. While this contract is in force it should be clear to you that you do not "own" the foreign company. It is not yours. The stock is owned by others (trusts or nominees) and you are given an important position of responsibility that carries with it very clear and complete administrative duties.

6.12. Clearly our goal is to provide ongoing useful and valuable service. Though we would hope to serve you over the long term, it is possible to cancel the contract with Intercon Associates. Your job with the company is secure. It is based on performance only and the decision with regard to longevity is yours alone. However, should you desire at any time in the future to cease your involvement with the company and to discontinue any relationship it is done in the following manner.

12. THE ROLE OF "PAPILLON" AND "BLACKSTONE"

12.1. The Intercon Associates Group of Companies includes two companies that are maintained for our own use and as a service to our company clients. Intercon Associates itself is no different than the other companies we create for the use of our clients. We use the same types of structures and use the same rules of action with regard to access to the foreign market. For those reasons there are two companies in the scheme that are useful to us all.

12.2. Papillon Ltd is a holding company that holds title to stock or acts as the guarantor of various companies in our overall organization. In the case where a client wants no connection at all it is important to have a company in the plan that is managed by people with whom he can have confidence and to whom he can turn for security of the structure. This is someone you can know.

12.3. Blackstone, Ltd is a conduit company which has been issued a TIN by the IRS. This is am important entity if any client is doing business in the United States and wishes to insulate his company from any tax exposure and still stay strictly within the limits of the law.

12.4. When a client wishes to use the services of Blackstone as a conduit he simply uses the name Blackstone in place of the name of his own company in the transaction and Blackstone will pass on the asset to the clients unlinked company. There is a fee of 2% of the value of any asset passed through Blackstone. Therefore you should consider the use of Blackstone carefully. At some point it would be in your best interest to establish your own conduit company and to pay the fees associated with the maintenance of an additional company connecting to your own "Piggy Bank" company, "Landmark Planning Ltd".

13. THE ISLE OF MAN "GUARANTEE" COMPANY

13.1. Clearly, the most important single element in any structure is the initial step. For this purpose we favor the use of a discretionary trust, or the Isle of Man Hybrid Guarantee company, which is in fact a form of trust relationship. It is here that we break that connecting factor. We find, in general, clients need to understand the role of Isle of Man unique version of this company structure know as a Hybrid.

13.2. A more detailed explanation of this company use is essential to your understanding of how the Intercon system works. This is something that can not be fully explained in the book. The detail must be a part of our report to you, be given to you in a memo such as this, or in personal consultation.

13.3. It is essential in any off shore structure that is designed to withstand an inquisition by any government agency that the United States citizen be totally and completely unlinked from the company. Early on, think of the first Guarantee or Hybrid as your "piggy bank". Later on you will see where this is important.

13.4. The essential difference between the Guarantee Company and the Hybrid version of the Guarantee Company is that the latter offers the possibility of share capital distributed to investors in the company. This would allow a company to differentiate between Class B members with rights of distribution of company assets and passive investors in the company who expect a return on investment with specific interest.

13.5. You can have a powerful position of responsibility within the company operations, but you can not control the board of directors, nor should you have signature power on a foreign account of the company in excess of $10,000. Obviously, any properly run company will have accounts in excess of that amount, so it is necessary to make the decision with regard to signature power.

13.6. The proper use of the Guarantee or Hybrid company as described in our book in the appendix entitled "Isle of Man" is critical to this concept. In essence, we must re-create the individual as a foreigner through the use of this unique company structure. Each individual who works with us is so re-created.

13.7. It is this first level company that owns stock in other companies, is the beneficiary of any trust subsequently formed, goes into partnerships with other "re-created" individuals or goes directly into the investment business itself. It is this company that holds your interest in whatever business venture is carried on off shore. It is the first step in any company organization that is created by Intercon Associates in your behalf.

13.8. When a company is put in place for single use of one individual we find that we are often able to create the structure with the simple direct use of the Guarantee or Hybrid as an operating company. In other cases, when the individual indicates the possibility of additional structures in the future we immediately go to a second level trust or operating company, or if this is anticipated in advance, we may put the entire trust and company structure in place at once.

13.9. When a partnership of two people is involved, even if they are related by marriage or family, in order to separate their individual interest we may need to create three companies. A Holding company for each of the partners to represent his interest in the partnership, and a company limited by shares or guarantee for the operating company itself, where all the business activity will take place.

13.10. In an illustrative example of a more complex case there may be five silent partners who will only receive their share of the profits of the foreign operations and two who are the principles of the organization. Since this is seven people, in this case we would form eight companies, one holding company for each individual involved and one company limited by shares wherein the distribution of the profits would be preset in proportion to the share ownership held by each of the individual hybrids.

13.11. The key element of your involvement with the Guarantee or Hybrid is that you are elected as an "associate member" or Class "B" member with rights of distribution, but without the right to vote. This takes you out of the control loop but gives you the right to the distribution of all the assets by decision of the directors or should the company ever be dissolved. It is this that gives the Guarantee company the appearance of a trust.

13.12. Each new client is started as a Hybrid Guarantee company and builds his business structure from that base. So, as you can see, it makes it possible for you to get into and out of partnerships or investments without regard to what the other stockholders may do. It makes it possible for you to be involved but unlinked.

13.13. With the subsequent formation of an operating company limited by shares, or indeed in the Hybrid company itself if there is only one active individual involved who will only be investing the company funds, you as an individual are given a very important job with permanent job security.

13.14. You as the CEO, dealing directly with the selected registered agent, are responsible for the source and application of funds. You alone are responsible for the assets of the company. No one else is given that responsibility and no disbursements can take place without your approval as the responsible employee.

13.15. Many of the double or triple trust systems rely on the first foreign trust being formed by an independent off shore entity. Clearly, Intercon Associates by establishing that first off shore company could be the grantor or settlor of a first level foreign trust. The attached chart illustrates a complete integrated company/trust structure with all the components in place. The final section of this report gives the logical steps we would recommend for your purposes.

14. THE SELECTION OF THE RIGHT JURISDICTION

14.1. The second criteria is, if necessary, to extend the international business concept to include workable and beneficial arrangements in countries that have a double tax treaty with the United States thereby avoiding any withholding tax on interest, dividends, and royalties that is due from payments made to a tax haven. The tax treaties make it possible to deal with the problem of US Source withholding.

14.2. There are many countries that have tax treaties with the United States that contain very favorable administrative loop holes. Our job will be to research these countries and to recommend the best possible jurisdiction.

14.3. There are many jurisdictions throughout the world that offer tremendous advantages for us to consider in determining the optimum structure for your purposes. Later as the company assets and estate value grows we may consider Switzerland, Austria, Gibraltar or Malta for favorable jurisdictions with treaty provisions.

14.4. Ireland, for example, has many fine treaty provisions that are available to us as United States citizens. In order to access this treaty and to handle such payments as interest and dividends, we often will find the need to create a new Irish non-resident company or trust and apply for a Tax ID number. This new entity would be resident in Ireland for tax purposes.

14.5. As the profits in the Irish company grow we will pay it off to the original financial holding company in the Isle of Man which we like to think of as your piggy bank. Every foreign structure will at some point need a piggy bank in a tax free off shore jurisdiction. This is why we start with the Guarantee or Hybrid company structure which is our initial unit, with the possibility that as the structure grows we may need to create a new operational center for our organization.

14.6. Finally we will make several suggestions that involve the concept of up-streaming and interrupted cash flow that are specific to your business activity. We give you these ideas to start you thinking of ways to gain maximum beneficial use of the company structure. Remember, the company that has been formed is an active business, you are doing business. If your business is legal, you need not worry about the fact that it is a payment between jurisdictions. This concept was detailed in our book, is discussed extensively in our lectures, and should be clearly understood in order to maximize the transfer of funds between companies and countries. It is a commonly discussed topic in our private consultations.

15. THE IMPORTANCE OF CONTRACTS

15.1. When our forefathers established The United States Constitution they gave serious thought to the rights of individuals to enter into contracts without government interference. Article One, Section Ten says in part... "No State shall pass any bill of attainder, ex post facto law, or law impairing the obligation of contracts".

15.2. This means you have the constitutional right to enter into contracts, and the government is forbidden by the constitution to interfere with the terms of your deal. A contract is defined as a situation where there is an OFFER AND ACCEPTANCE, between TWO OR MORE PARTIES, who are of LEGAL AGE AND COMPETENT UNDERSTANDING, and there is CONSIDERATION PAID BETWEEN THE PARTIES, and the contract has A TERMINATION DATE.

15.3. It is important that any transaction made between you, as an individual, and the company meet this basic criteria. A contract is a constitutional right and is enforceable. So, as you engage in business with others in the world market, always be sure you have a valid signed contract between you. The best and safest way to be secure in the validity of any transaction is to write it up in the format of a contract. The secretary or administrative agent of "Landmark Planning Ltd" is always willing to sign a valid contract on behalf of the company.

15.4. To do this you would need to write up the document for whatever you intend to do in contract form, sign it and send it to your registered agent for his signature. The document would then be executed and stored in the company minutes and a signed copy would be returned to you for your records. Also note, there is nothing in the constitution that says the contract has to be good or equitable. Regardless of its quality, if it meets the basic contractual elements listed above, the government can not change or challenge it.

16. THE USE OF TRUSTS OR CONTRACTUAL COMPANIES

16.1. In the world of domestic and international business advisors there are a multitude of programs and options available to the client. Many of them include the use of trusts, asset protection trusts, charitable trusts, and domestic or foreign business trust organizations. Each of these may offer opportunities for you to enhance the protection of your assets and your international involvement.

16.2. We are familiar with most of them and have found that there are many effective ways to integrate our program with those of most trust advisors. In fact you will find as you study most of the programs

offered today that they involve either a US Corporation, a Foreign Corporation or both. We work with many advisors and have found that some are better than others.

16.3. We have discussed this with many of the principle trust advisors and find that they work with a modular program exactly like we do. There is no problem working trusts into your overall plan. We will be happy to discuss with you how we can co-operate with your trust advisor in the use of our corporate structure. In fact there may come a time when we will advise that you add the trust module to the overall scheme. It may be indicated as the best way to accomplish your objectives.

16.4. The basic premise of our organizational plan is the right of companies to do business with each other. This is why we start with a company organized in a foreign jurisdiction interacting with a company organized in the best United States jurisdiction, Nevada.

16.5. We also feel strongly that a company is designed to do business and an individual can work for it or be a consultant to the company without any legal or governmental problems. A trust on the other hand is designed to hold title to assets for the benefit of a third party. A proper trust does not allow the grantor to interact with the trustee. His only proper input must come through the protector.

16.6. In order for any trust to be useful in asset protection or international tax planning, it must be an Irrevocable Discretionary Trust. This must be a Non-Grantor Trust established by a person or entity that is not a citizen of the high tax jurisdiction. This is why we use Intercon Associates as the originator of all business or trust entities. These can take the form of an Asset Protection Trust in a domestic or foreign jurisdiction, or in some cases can be a form of business trust.

THE CONTRACTUAL COMPANY, "MASSACHUSETTS TRUST"

16.7. There has been considerable interest among our clients on the use of contractual companies, also known as the "Pure Trust", the Massachusetts Trust" or the "Business Trust Organization". This is a company that is ESTABLISHED BY CONTRACT between two or more people and meets the criteria of a contract outlined above.

16.8. As stated in this document and as outlined in the attached chart, trusts can be an integral part of the overall program. There are times when they are indicated, and times we work with the entire structure as the initial set-up. Otherwise when such a time is evident we will include it in the scheme.

16.9. If the original set-up is based on a Foreign IOM Guarantee or Hybrid company, we have already included a "form of trust". We have within this company structure all the elements of a trust and can use it as such in the foreign environment. The real challenge comes when a client wishes to move the value of appreciated assets out of the United States without liquidating them and paying the accompanying capital gains taxes.

16.10. The trust system becomes very helpful in this instance. If the individual has established an irrevocable trust, and this trust owns the asset in question, though careful selection of the beneficiary and the requirement of distribution of profit the asset can be liquidated after it becomes trust property and can thus avoid the capital gains tax.

16.11. The asset must be placed into trust by contract and there must be consideration for the transfer. The value you place on it can be its book value or its current value, this is up to you. Clearly, if your objective is to move the appreciated value into the trust you would contract to sell it to the trust at a very low value, probably what you paid for it originally or the current basis in the property. I always suggest to my clients that they make a little profit on the transaction and pay a little tax.

16.12. The beneficiary of the first trust should be an international trust, domiciled off shore. In order for the second trust to work, it should be established for you in an "arms length" transaction. Intercon Associates will grant an irrevocable trust naming your foreign company as the beneficiary. "Papillon, Ltd" will be named as the protector and in that capacity can protect your interest through the Intercon System.

17. WORKING TRUSTS INTO THE SYSTEM

17.1. When such a trust is established it is important that the client know the routing or process of moving assets within the elements of the system. There is no question that these entities offer tremendous advantages over nearly every other entity for people with substantial means or people who are in a profession that might attract large litigation problems. It is essential that you work with a competent domestic trust advisor who will work with us in a proper "arms length" manner.

17.2. Clients are concerned about how best to incorporate an APT or BTO into their business structure. The chart following this section outlines the use of an offshore trust in both the #3 location and #C. It is a fact that there are many individuals, attorneys, accountants, and trust administrators, throughout the United States that promote and sell these trust systems. All of them have a golden tread of similarity as outlined below.

17.3. The essential elements of an effective off shore trust are that it first be formed by a settlor who is NOT a United States person. This means it must be established by a foreign entity that is not itself controlled by a US citizen or entity. Assets can then be transferred to the trust by many legal means without tax consequences and the trust itself will accrue the value over time.

17.4. Also, the foreign trust (#3) must be an irrevocable non-grantor document with a beneficiary that is not a United States citizen. Foreign trust "C", however can have US beneficiaries and income paid to them is tax free (RR 69-70). Finally, the trust must have an independent trustee who is working in the interest of the beneficiaries whomever they may be.

17.5. Having said that, when you look at the chart you see that the domestic asset protection or business trust (#2) holds the stock in the regular Nevada corporation. Also in order to make the flow of cash or cash value of the trust work to your advantage it is essential that the trust indenture name the Conduit Trust (#3) as the sole beneficiary of the trust and that the profit in the trust be annually distributed to the trust beneficiary before tax is assessed.

17.6. The domestic trust will file a form 1041 with the IRS. This is a fiduciary form that is required of all trustees. Since the trust indenture requires that the profits be distributed to the beneficiary there is no residual profit. So, there is no tax to pay.

17.7. The next trust level is that of the Conduit trust. It has some special provisions. First it MUST be formed or settled by a foreign entity. We use Intercon Associates for that purpose. It also forbids the naming of a United States beneficiary and also requires that its profit be annually distributed to its beneficiary.

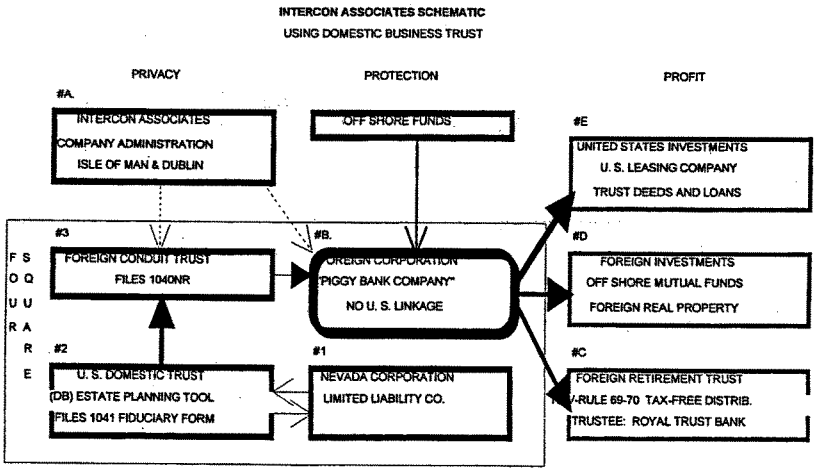
17.8. The conduit trust is a non resident effectively connected entity to the United States and as stated earlier, would be required to file a 1040NR with the IRS. However, since its indenture requires distribution to the beneficiary, it too has no taxable profit to report.

17.9. The named beneficiary of the #3 trust is the foreign guarantee or hybrid company which was our original unit and was formed to build our international structure upon. Since it or any of its subsidiaries have no effectively connected income to the United States they are not required to make any reports to the government at all.

17.10. However, as we have said earlier, the foreign corporation can do business with a United States company or person but this can not be "effectively connected" by IRS regulations. One must be careful that money paid to the company will not trigger this reporting requirement. This is handled by careful structure of transactions. If there is the possibility of effectively connected income, the conduit trust becomes the active entity and business is done at this level.

17.11. A review of the chart will give the clear impression that offshore structures lend themselves well to the kind of Modular Concept that is used and recommended by LAD Financial Service and Intercon Associates. We serve as the "Quarterback" of your team. We can direct you to a number of attorneys, or if you wish our resident attorney at Corporate Office Services in Reno will handle the trust details and will manage the trust and the independent aspects of your integrated structure.

18. ORGANIZATION CHART FOR OFF SHORE STRUCTURES



Notes on the chart listed above.

18.1. "LANDMARK PLANNING LTD" is Company "B" listed above. It is the only company being formed by Intercon Associates at this time. It will be the foundation unit of your system and will remain one of the Intercon Group of Companies.

18.2. Any foreign source funds should be deposited directly into the foreign company accounts and should not be brought into the high tax jurisdiction such as the United States.

18.3. If you have followed our recommendations and have formed a Nevada company it can interact with either the foreign company directly or through the use of business trusts, and thus profits can be passed off shore. We are stockholders and principles in Corporate Office Services of Reno Nevada and can handle every aspect of formation and administration of Nevada companies or trusts through that office. They can be reached at 1-800-872-0858

18.4. The structure we have created for your use assumes that the foreign company will not be substantially involved in US trade or business. If it turns out that there is this exposure we will form a second company or trust and it is then necessary to apply for an IRS TIN, we will do so. This new company will then take on the character of the "Foreign Trust #3" and will file a 1040NR.

18.5. Intercon Associates together with its United States representative office, LAD Financial Service, will assist any client in setting up additional structures anywhere in the world. After the initial structure is created on the Isle of Man, using it as the holding company base of all extensions of your structure we will add to the structure at any time for a minimal fee.

18.6. We work with several well known trust attorneys for the trust aspect of this structure. If a trust is necessary we will assist you in selection of this advisor. We will also assist in finding able administrators for each element of the bi-level trust system based on the offshore domiciled "BTO" and Hybrid company.

18.7. The fee for these trust services varies from $5,000 to $7,500, always directly related to the complexity of the overall structure. While commenting on fees, it should be noted that whereas Intercon Associates charges a flat fee each quarter for its involvement in coordination of company administration, trustees usually charge a fee based on assets in trust or on the profits made on the investments of the trust assets. This can range from .5% of the assets in trust up to 25% of the profit earned on investments.

18.8. If a trust is ever used Intercon Associates will provide a company "protector" for the trust. The role of a protector was discussed in depth in the book "How & Why Americans Go Offshore". It is important that someone be legally in a position to change the trustee, the jurisdiction or the administrator should the need arise. Because the trust is irrevocable, this can not be done by the settlor, nor can it be done by a United States citizen. It requires using the services of your protector.

18.9. We are often asked is it necessary to put it all in place at once. The answer is clearly, NO! Though it may be advisable and your overall protection may be enhanced, your income level, your asset value and your vulnerability all have a direct bearing on how much of the structure needs to be instituted at any given time. It is important to start with at least the Nevada company and a foreign Hybrid Company.

18.10. On the other hand if you have several hundred thousand dollars and are concerned about preserving that capital and at the same time allowing it to grow tax free, or if you have some appreciated assets that need to be protected it may be necessary to look into the future elements of the entire structure which might be ideal for your needs.

18.11. This is the basis for our feeling that $50,000 - $100,000 of available capital is a good figure to indicate the need for a foreign investment company and the opportunities that will come to you from working with it. There is a substantial difference in the potential for earnings when you use the fully integrated system and make investments from the foreign source, not only in the cost but in the growth of the asset as well.

18.12. Obviously, a doctor or lawyer with real liability problems would find that the company is useful with less capitalization. And, an individual with appreciated real property would find that paying the quarterly fee is very inexpensive in exchange for the tax free payoff he gets from setting up the entire structure in advance of any sale. We also have many clients who put the system in place in anticipation of future need. These individuals look at the ongoing quarterly costs as an insurance cost against future crisis.

19. OUR FEE STRUCTURE IS BASED ON COMPLEXITY

19.1. Any respectable international consultant can work with different entities. He should recommend the structure that best suits the needs of the client. We think of our operations as a modular concept. That is we try to design systems that use companies or trusts in different levels for a specific purpose. The fee for each European company is the same. The fee quarterly fee for the operation of the company is the

same. So, your costs are directly related to the complexity of your structure and the problem it is designed to solve.

19.2. The cost for any successive modules, to our clients, is kept at the lowest possible level. The minimum fee for additional structures is generally in the area of $5,000 - $7,000. If the structure costs are more than that amount we will do if for our clients at cost + 10%. We are always ready to add additional modules as the need arises or the client desires. This is true with regard to additional companies, trusts, or companies resident in other jurisdiction for tax purposes.

19.3. The fees to add additional modules is always a function of the original company. That is this cost is paid by the original company. This keeps the connecting factors broken and keeps you, as a United States citizen, free from any involvement. The additional costs to the company will come in the quarterly fees that will be paid by the new unit when it is activated.

19.4. Fees for the formation and administration of domestic trusts when they are included in the structure will be set by the trustee and trust organization. Many of the qualified trust advisors charge $2,000 - $5,000 per trust and are both knowledgeable and competent in its trustee administration duties. It is best that the company and trust functions be kept separate. However, because we work with so many organizations we are able to find reasonable trust administrators that work for the good of the client and will co-operate with the overall plan.

19.5. All of this is detailed below and will be further explained in consultation with you. Our fees will be specific to the company structure you will be operating. We will also include any possible interaction with a corporation set up in the State of Nevada in order that the foreign company can more easily gain access the United States market.

19.6. Clearly, most of our clients begin with a foreign company, while at the same time they choose to form a Nevada Corporation for domestic business activity. Many of our clients find that they need nothing more than the basic company structured in a tax haven, though in those cases where there is considerable effectively connected income to the United States a second company whose domicile is in a treaty country is often useful as noted above. As the business and investments grow they may find the need for additional modules of trusts or companies.

19.7. Each active company that is organized and administered by Intercon Associates pays a quarterly fee of £850 Sterling. This quarterly fee covers the general operating costs outlined above as well as the

costs of the London address for each company. Of course, the total amount of this fee will be dependent on the number of companies or the complexity of the company organization.

19.8. Additionally, we feel the client may need access to continuing consultation. We assume that he will use the services of our consultants at least 2 hours each quarter for each company in your structure. We include the fee for this minimum consultation in the quarterly fee structure as well.

19.9. Finally, "Intercon Associates, (Ire) Ltd." acts as investment advisors, and as such we continually receive investment suggestions from our clients and a world wide group of competent money managers. If requested, Intercon would expand our service as the company's off shore advisor both in the area of contact with investment advisors for the investment of excess corporate funds and possible extensions of the structure to include new companies or trusts.

19.10. Over the years we have developed a network of competent advisors that are available to the managing directors of our companies. You simply need to express your desire. We will then contact a series of potential advisors and ask them to send information on their company to "Landmark Planning Ltd" at its London address. We then forward it to you and you make any final investment decisions.

19.11. Intercon Associates, (Ire) acting as an investment advisor, will generally be paid an introductory fee by the money manager. This fee is used to offset any costs in set up of the investment and reporting to the company officers the ongoing results of the investment. Charges related to investments are not passed on to the company but are paid by Intercon Associates out of income generated from this source.

20. THE CARIBBEAN OPTION AS AN ADDITIONAL MODULE

20.1. Occasionally, one of our United States clients may want to deal with a company closer to home. Though it is not necessary for you to go to the company headquarters in the Isle of Man, it is possible in this case to set up a branch of that company in a jurisdiction close to home. We are prepared to service this need.

20.2. It should be noted at this point that your Isle of Man company can open a company account and be administered in any jurisdiction. Your company does not need to be domiciled in the same country with its operating account. We encourage you to set up a primary account in the Isle of Man, thereafter your business operations may require an account in Hong Kong, the Caymans, or the Bahamas, or even a small

account in the United States, where you can be given signature power. The company officers will open such an account for your use, upon your recommendation.

20.3. In some cases the client wants a company in Belize, the Caymans, or Bermuda and we are happy to oblige. In addition to our basic business operations in Europe, Intercon Associates through its Caribbean Subsidiary, offers similar services in the set up and operation of companies in tax free Caribbean jurisdictions. We currently favor Belize, The Cayman Islands, The Bahamas and the Turks and Caicos.

20.4. Through our Caribbean subsidiary sometime in the future, we plan to offer captive insurance coverage for malpractice to those of our clients who are in professions that attract lawsuits, as well as annuity policies for those who want to set up a private annuity with an insurance company for regular income.

20.5. We have also found that we can offer the same types of administrative service that we offer throughout Isle of Man operations, however in most instances we find that the Isle of Man Guarantee or Hybrid company is still essential as the initial building block upon which your foreign empire can grow. We encourage the client to look at the Caribbean company as the second or third block in an offshore network of companies, each with a specific purpose.

20.6. That is not to say the Caribbean is unsafe, but any knowledgeable consultant would need to point out to you that the long arm of the drug warlords has made operations in the Caribbean less private than before the Caribbean Basin Initiative was written and propagated. Therefor, if the client is once removed by way of the Isle of Man Hybrid there is less problem with government intervention in private affairs.

20.7. Another available option in the Caribbean Islands is the use of the basic foreign off shore company whose stock is owned by an offshore discretionary trust. This company set up is less expensive but as with any structural investment, the cost is directly proportional to the security and safety of the structure. One must be careful with this structure that he avoids any complications that might link the US citizen to the foreign company control. The trust with underlying company is a popular method of structuring an Asset Protection trust. However since this involves a domestic trust as well the overall cost is higher.

20.8. Our services in the Caribbean Islands are similar to those of the Isle of Man. We set up and operate the company in behalf of the client and appoint him to a powerful position of responsibility. We are always available for consultation, as is the selected registered agent, and we feel that the quarterly maintenance fee serves both of our interests well.

20.9. We are able to continually monitor the performance of the selected registered agents on behalf of the client and are able to break the connecting factor by paying all fees for the company in the Caribbean so that the client is not directly or contractually connected.

20.10. We find that many of our sophisticated clients, who have an idea of the way to maximize the company interaction, will set up a company in the Isle of Man first and then organize one in Gibraltar or the Caribbean because of the convenience to the task assigned the company such as factoring of accounts or loan service. This is good business planning and there is no problem opening such a service subsidiary.

20.11. We also use the Caribbean Islands or the Isle of Man as the jurisdiction of choice for the establishment of the offshore trust that is a part of the overall scheme. When one of our attorneys or a foreign trustee requests that a trust be settled for a client Intercon selects the jurisdiction and establishes the trust. Administration is then assumed by the attorney or whatever trust organization is selected for our use.

21. THE NEVADA CORPORATION or TRUST

21.1. It is clear to anyone working in international corporate or business activities that there are times when a company established in a tax advantageous state within the United States is essential to your success. This is obviously true for a newly formed Isle of Man company as well. Your foreign company should have a domestic company partner.

21.2. Every foreign client knows that the best access to the United States is through the foreign ownership of a Nevada Corporation, Trust or Limited Liability Company. It is legal for a foreign company to own 100% of the stock in a domestic company as long as it is a regular company and not an S-Corp. It is necessary to report the ownership on the tax forms of the domestic company. In the event a trust is used we will make the trust owner of the stock in a Corporation.

21.3. To avoid the need to report stock ownership of a regular corporation you would need to have more than one company own the stock. You must report the identity of a foreign company holding a share of 25% or more. Though this ownership factor is disclosed only on the domestic tax forms substantiation from any other source is hard to determine and is not disclosed. Some of our clients who take advantage of this entity and retain the privacy of ownership will have several foreign entities own the foreign interest and they will retain 10% themselves, or will use a limited partnership and retain control by being the general partner.

21.4. Many of our clients are businessmen from the United States or from a foreign country who want to use Nevada as a corporate office center. The concept of an office address is well accepted in most foreign jurisdictions. Indeed, this is the basis of our company business plan for Intercon Associates. To satisfy this need Intercon Associates, and LAD Financial own and operate Corporate Office Services, Ltd of Reno Nevada. This company offers complete formation, administration and resident agency services to our clients from around the world.

21.5. We have found over the years, the most serious problem of small business operations is the lack of attention to the detail of corporate records. For this reason probably the most important part of our domestic services are the contract services that tend to pay attention to these details in a timely manner.

21.6. Our goal in offering these services is to make it possible for you as the CEO to concentrate on operating the business activity and control of the checking accounts while you leave the corporate administrative details to us. The costs of these services and the need for them was completely explained in the initial introductory document.

21.7. You will find that you use the Nevada Company for the recipient of funds transferred from your foreign company into your control within the United States. Since this account is a United States account and you can have signature power on the bank account with no concern, it is a perfect access point. Funds can be wired from the "Landmark Planning Ltd" account in the Isle of Man to your domestic company account in Nevada with little need to be concerned about a paper or wire trail. They are listed on the books as a loan and as such are not subject to taxation.

21.8. A review of the optional contracts might be helpful. It is important to your entire business plan that you take into consideration the professional services that can be provided to you under these contracts. With the advantage of large numbers we are able to offer these services at a very reasonable cost. It is also true that it is best to separate yourself from the details of company or trust administration. This will take you out of the loop and give the trust or company the validity it needs to withstand IRS scrutiny.

OPTIONAL CONTRACT SERVICES

22. OFFICE MANAGEMENT CONTRACT:

22.1. It is important that your domestic corporation have a viable operating office within the State of Nevada. This presents to the government, as well as those with whom you trade the presence of a viable active business, as opposed to a hollow corporate shell. This is especially true if you intend to take a salary from this source. This called providing "office presence" in Nevada and adds function to the form.

22.2. The costs of opening a head office, renting space, furnishing it, hiring personnel, installing phones and computers could be astronomical. You could easily spend from $2,000 to $5,000 a month for office expense. We provide this service in Reno Nevada to our clients at a very reasonable fee.

22.3. The Office Management Contract is a simple and proven effective solution to this problem. It is an actual office, staffed with trained personnel who are under contract to your corporation to serve as your corporate base in Nevada.

22.4. Among the services provided by the contract is ongoing mail forwarding service to any address in the world, banking services, telephone answering and message forwarding service, and a furnished Executive office where you schedule time to meet with clients at your office in Reno.

22.5. Under the terms of this contract we will make application and maintain the location for a proper State and City Business license. This will be one of the certificates any tax or government authority would look for to determine the legitimacy of a corporate office arrangement. The ability to produce a current business license adds validity to your corporate strategy.

22.6. Under the terms of this contract you would either keep and maintain the corporate books and tax records yourself or would designate an accountant or attorney to do it for you. If you wish you could take advantage of the additional services of Corporate Office Service to handle this aspect of your corporate operations.

23. ANNUAL OFFICERS AND DIRECTORS CONTRACT:

23.1. As an important step in financial and business privacy, our foreign clients as well as many US clients frequently request that we arrange for "Nominee" United States based directors or officers of the corporation. In this instance we would find a suitable person to act as the officer or director of record, who would be available to sign all official documents. All of the corporate records are generally held by the client or his business attorney.

23.2. As Secretary of the corporation, under the terms of the "Officer and Director" contract, we would be legally responsible for the corporate records, however the clients attorney or a professional we might select upon your request would prepare all documents and retain complete control of the company records and stock register.

23.3. The most important defense of any corporate activity is the properly noted and prepared corporate minute book. Inasmuch as most of our foreign clients are unfamiliar with the requirements of substantiated documentation in the United States Tax system, we provide a minute service that includes regular semi-annual updated minutes and the required annual meeting minutes in a proper timely fashion.

23.4. If necessary, through the office of Corporate Office Service we could provide a bonded individual to act as treasurer with signature power on the corporate bank account who would issue checks as requested by the corporate client.

23.5. This individual or individuals appointed under this contract would serve as officer and director for one year and would be annually re-appointed or re-elected for the following year, upon the approval of the stockholder. Your Nevada Company has this package and the director has been appointed.

24. CORPORATE TAX AND ACCOUNTING PACKAGE:

24.1. Additionally, it is often the desire of our clients to request the assistance of Corporate Office Services in the preparation and maintenance of the corporate stock registry book, accounting records, and annual corporate tax forms. The corporation is required to file a federal tax return. This is a service most often provided to our international clients.

24.2. With this contract, in addition to our own staff, we often secure the services of outside professional tax attorneys and accountants and pay them for their expertise. This additional service creates a more complete privacy package, while at the same time assuring the non US client of complete and proper legal and tax compliance.

24.3. The fee listed is for the simple filing of a one or two page federal IRS Tax Form 1120 for the corporation in the local district office. It is not designed to cover the cost of any extraordinary preparation or any complicated tax problems or audit procedures.

24.4. Tax returns would be prepared from data supplied by the client as well as from that data maintained by the corporate office in Reno, or from the accounting bank records.

24.5. Under the terms of this contract an individual designated by Corporate Office Service would hold the title of Corporate Secretary/Treasurer and would be expected to serve as an active member of the board of directors. He would attend board meetings as required by the stockholder and would submit books and records as necessary.

24.6. Any ordinary expenses incurred by the Sec/Treas in the administration of his duties would be the responsibility of the corporation. As is standard procedure, expenses for attending board meetings is a proper expense of the corporation and the attending officer would be reimbursed.

25. TO GET THE BEST RETURN FROM YOUR COMPANY INVOLVEMENT:

25.1. Remember the following facts; You pay for two hours of consultation through the quarterly fee. We suggest that you take advantage of our availability. Bounce ideas off us and learn to use the structure to the maximum. If necessary we will add qualified staff to assist you if our time is limited.

25.2. Move adequate funds into the company accounts so that the interest earned is more than enough to pay all the fees. It can become discouraging if "Landmark Planning Ltd" is only doing well enough to cover the expenses. Our best clients are those who actively use the company for regular transactions or investments.

25.3. Remember, you are the chief operating officer of this company. You direct its activity and are specifically responsible for the source and application of funds. We give a lot of thought to the selection of the company administrator. We like to select people that will help the client in his activities, offer suggestions, and answer his questions. Interact with the "Landmark Planning Ltd" administrator on a regular basis. He will charge you for extraordinary use of his time, so be sure your contact with him is useful, but do not be afraid to get to know the administrator with whom you are working.

26. YOUR COMPANY DOCUMENTS

26.1. As soon as we receive them, "Landmark Planning Ltd" documents can be made available at our office in London. If it is your desire we can see that a second set be sent to your address in the United

States. Once again, we suggest that you take special care of these, since disclosure of them would be evidence that you know more about the company and its activity than you would want to disclose if asked by anyone intent on invading your privacy. Remember from a practical standpoint you are a consultant with specific responsibilities. You own no stock and are not a director. Our service has made it possible for you to be legally completely un-linked to the company.

26.2. The document you are now reading contains a lot of substantial information. Guard it carefully. This is not for public consumption and it would not serve your interests well to "pass it around". It is our suggestion after you review this document as well as any formal documentation that is sent along with the company organization, and that you then return all of it to your office in London where it can be safely stored in your behalf.

26.3. We will also be happy to arrange for a personal foreign bank account at the company bank. If such an account were created, at no time could the balance be more than $10,000 without reporting it to the US Government. Most of our clients find that they do not need a personal account, because of the easy access to company funds, however some just like to have a check book in their possession.

26.4. Remember the foreign company is not subject to tax. There is no need to be concerned about the proper allocation of the disbursement of funds. The board has given you that authority and you should realize they will ratify your decisions.

26.5. As a director of the company you are welcome to come and review the corporate records at any time in London, your records are kept off site so we do request that you make an appointment so that your records will be on hand, time can be set aside for you, and personnel from our staff can be free to assist you.

26.6. Any corporate mail you wish to have a London postmark will be handled through the London Administrative office using a courier packet. Put a letter of instructions in the packet. Our staff will then post and mail all correspondence from this address. We will also receive mail for you and send it via courier to you at the end of each week or as is necessary. This is important as it establishes a foreign base for the corporations activities.

26.7. Intercon Associates, Ltd. is a service company. It is our goal to provide your corporation with reliable foreign company service and advice. If you need specific consultation at any time feel free to call on us. We are ready to serve your needs when asked.

27. THE PROBLEM OF PRIVACY

27.1. Many of our clients start the company with the idea of "Privacy" being the most important factor. After discussion with the registered agents and company administrators we have found it serves that need best to store, in addition to the reports from our office, only the company "Articles and Bylaws", together with the minutes of the annual meeting in our private office in London. All other company records are in the offices of the administrator.

27.2. In addition, we will be happy to instruct the London office store any records that you feel are sensitive and would rather not keep in the states. Clearly, any client should recognize that his best defense is that he is an employee or a consultant with the company and has no knowledge of all the company details. So keeping any records in the states should be done with care.

27.3. All records of transactions, all bank statements, all accounting records and any correspondence between you and the Registered Agent will be stored only in their files and thus are less open to the inquiring mind.

28. YOUR INTERACTION WITH THE REGISTERED AGENT

28.1. We find that most of our work on the regular trips we take to the offices of the registered agents and administrators in London, Dublin and the Isle of Man is to look into action the client may have requested and to resolve any problems with it with a face to face meeting.

28.2. You are the company CEO. You are responsible for the source and application of funds. This means that you will send your orders directly to the administrative office of the registered agent. We will only keep records and papers in London specifically when asked to by you as the managing consultant of the company. The details of the "Landmark Planning Ltd" administrator and contacts are listed on the final pages of this document.

28.3. This creates a situation where our ability to follow up on any problem you may have will be dependent on your giving us all the pertinent data. We can not take the initiative, since we are generally unaware of your actual business transactions, and will not know about it unless you specifically ask us to check into the matter.

28.4. This will become a very important service that we will continue to offer. We feel that this is one of the things you pay for and will continue to serve your needs as best we can. Since we go over at least four times a year, this of course saves you the need to make the trip and to incur the expenses of Europe.

29. YOUR ACCOUNTING RECORDS

29.1. Each of our registered agents has agreed to send a computer generated quarterly statement of company account activity directly to your address, at the same time that he pays Intercon the "Landmark Planning Ltd" quarterly fees. Any records that are sent to London will be forwarded to you by our staff there and will not be entered in our computers. (one less place for the inquiring mind to look for the data). You need to tell the administrator where you want the records sent. You should read these records and destroy them. It would not serve your best interests for them to be found in your possession.

29.2. If you have or wish to have a company account at Royal Bank of Canada in Douglas, you will be happy to know that they now have a Gold American Express linked account. It is called the "Executive Plus" account and requires a balance in the high yield checking account of £25,000 Sterling. We can also arrange a Gold American Express with your account at Lloyds bank in Douglas in the same manner.

29.3. If you are interested in such an account you will need to deposit that amount in "Landmark Planning Ltd" account at the bank and request the transfer to the American Express Card Standing Certificate of Deposit status. They will then issue the company Gold Card in your name as managing consultant.

29.4. When an additional structure is added or the original Hybrid Guarantee company is domiciled in Ireland or some other tax treaty jurisdiction for tax purposes we will undertake to hire an accountant to file the necessary forms, such as the 1040NR that would be required of a nonresident tax payer. We will generally use an accountant in London or Reno who is familiar with US Tax Law and can properly file the forms in a timely manner. We are able to negotiate a good price for this service for our client companies.

30. BREAKING THE CONNECTING FACTOR...

30.1. ...REMAINS THE MOST IMPORTANT SERVICE INTERCON OFFERS ITS CLIENTS. It is why the Intercon System is superior to simply setting up a company and doing it on your own. Adding the trust link is an effective way to deal with United States assets and can be instituted at any time after the company is

formed. Our company stands between you and the need to disclose any information about your foreign activity.

30.2. When Intercon Associates takes on the responsibility of paying the corporate or trust fees to the various jurisdictions, of paying the directors and officers, as well as making the contract for company service with the registered agent and company administrators, this removes you from direct linkage to the company or trust.

30.3. When the company Board of Directors appoint you as the employee or consultant responsible for the source and application of funds, they are taking an effective act to separate you from obvious beneficial interest in the company. Though the company is working with funds that were borrowed from you or placed with the company through an annuity, there is no overt direct linkage between you and the company.

30.4. When "Landmark Planning Ltd" then pays the quarterly fee to Intercon, leaving them to be sure "Landmark Planning Ltd" is vital and ready to follow your administrative requests, you completely and properly break those connecting factors that can cause nightmares to people who just go off shore and set up a company.

30.5. Though it is possible to be a stockholder and a director of the company, and some of our clients choose to do this, there is the possibility of linkage being re-established and a more direct line of beneficial interest becoming apparent. This can create problems with the "Controlled Foreign Corporation" provisions of the IRS code, and we like to avoid those problems.

31. THE LETTER OF WISHES

31.1. Finally we must realize that "Landmark Planning Ltd" has put a lot of trust in your management ability. The board of directors is concerned that you will be able to provide them with a successor should anything ever happen to you. Indeed since much of your lifestyle is dependent on the relationship you have with the company it is well to consider your estate. By this simple act you can pass this lifestyle on to others.

31.2. Passing on to your designated heirs any asset value which may have accumulated in this company operation is a very simple task. You must prepare a "Letter of Wishes" that indicates to the board among

other things who you would recommend to take your place. You should be specific, naming the individual and outlining the responsibilities he or she should undertake.

31.3. The letter should be addressed to the "Secretary and Board of Directors" of "Landmark Planning Ltd" and should be sent to them directly. It may include any provisions you wish, bearing in mind that this board of directors will act favorably on your recommendations. It is good to send a copy of this letter and the full instructions to Intercon Associates in London and ask that they store this document with your records. We are then able to follow up on your request in a timely manner.

31.4. The letter should include the provision that when one of the people so designated presents a certified copy of your death certificate to the secretary of the board of directors, the board is instructed to replace your name with those indicated in the letter in all the responsible positions you now hold with the company, or its subsidiaries.

31.5. If it is your wish to divide the company responsibility as well as its assets among a group of people, (your children or selected friends,) you might suggest that the board create a separate Hybrid Guarantee company for each of them and divide the company assets into the various companies. This would not only avoid probate but would set each of your children up in company operations exactly like yours and encourage them to build on the asset base you have left for them.

31.6. If you wish, you can name Intercon Associates as the co-ordinator or executor of the transfer and be assured that we will act much like a trustee to see that your wishes are fulfilled.

32. SUMMARY AND SPECIFIC DETAILS ON YOUR COMPANY STRUCTURE

32.1. In summary these are the logical steps in setting up your offshore structure and the attendant costs involved. Clearly the first steps have already been taken in your case. Company "B" on the enclosed chart will be "LANDMARK PLANNING LTD" . Company #1 will be your Nevada Corporation.

32.2. We note that it is your intent to capitalize the company with funds from time to time from your Nevada company and from your personal and other business sources. The company is prepared at this time to receive these funds.

32.3. The company is general so you are free to use if for any purpose except for banking or securities sales and service. You can buy securities for your own purposes in the company, but without the proper license you can not sell or manage investments for others.

32.4. Any payments to the company should be made out to "LANDMARK PLANNING LTD" and deposited directly in the foreign account.

32.5. You should then begin to use "Landmark Planning Ltd" as an investment vehicle for your own investments. It makes no sense to use after tax dollars for investments here and then to pay tax on the earnings, when by simply passing those funds through the foreign company you could make the same investments, with the earnings being tax free.

DETAILS ON THE COMPANY TO BE ESTABLISHED AT THIS TIME ARE:

32.6.	The initial company is the Isle of Man Hybrid Guarantee company: (B)	
32.7.	"LANDMARK PLANNING LTD"	
32.8.	The Administrative office is at:	FITZGERALD & ASSOCIATES
32.9.		6 SULLIVAN'S QUAY
32.10.		CORK, IRELAND
32.11.	Your contact at that office is:	JOHN FITZGERALD
32.12.	The Phone Number:	011-353[redacted]
32.13.	The Fax Number:	011-353[redacted]

It is our suggestion that you deposit funds in the company account so that it is open and ready to do business. To do this write a check made payable to the bank below, in an amount that indicates your wishes. We suggest a minimum $10,000. Send this check to the administrator listed above with instructions to use it to OPEN THE COMPANY ACCOUNT.

32.14.	The primary company bank is:	ROYAL BANK OF CANADA (IOM) LTD.
32.15.		60-62 ATHOL STREET
32.16.		DOUGLAS, ISLE OF MAN
32.17.	The bank phone number is:	011-44[redacted]
32.18.	The bank Fax number is:	011-44[redacted]
32.19.	The contact at the bank is:	GILL WHITTAKER

If you have any questions, or if I can help you anytime, feel free to call me.

32.20.	United States Administrative office:	LAD FINANCIAL SERVICE, LTD.
32.21.		P.O. BOX 20064
32.22.		SAN JOSE, CA 95160
32.23.	United States Contact:	DR. LARRY TURPEN
32.24.		408[redacted]
32.25.	Our Fax number is:	408[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

33. TYPICAL MINUTES OF INTERCON COMPANIES

33.1. The following resolutions are examples of the wording that will be used in the organizational minutes of our companies. There may be some variations but they generally follow this outline.

33.2. RESOLVED: That the company shall designate Royal Bank of Canada (IOM) as the custodian of all company accounts and that the directors named below have signature power on the corporate bank accounts.

33.3. RESOLVED: That Fitzgerald & Associates be and is hereby designated the Company Administrator and that it is to hold that responsibility at the pleasure of the Board of Directors of Intercon Associates and its designated managing consultant to the company. That Intercon Associates be and is hereby appointed the Associate Administrator and is given the right to change the company administrator with the approval of the managing consultant.

33.4. RESOLVED: That Mr. Robert Holliday be designated managing consultant and is hereby given specific responsibility for the source and application of company funds. That this position be his as long as he operates the finances of the company in a manner suitable to the board of directors. That no funds can be disbursed from the company accounts without his authorization.

33.5. RESOLVED: That the managing consultant be authorized to set up a transaction code with the bank manager to offer security to the company funds and to grant him the right of estople for unauthorized expenditure of company funds.

33.6. RESOLVED: That Intercon Associates, Ltd, the associate administrator be and is hereby made responsible for the ongoing company structure and its viability. That it is to pay all fees associated with the company in the chosen jurisdiction related to the ordinary and necessary operating costs.

33.7. RESOLVED: That the company shall be and is hereby obligated to continue to pay Intercon Associates an ongoing management fee paid quarterly on the first day of each quarter, currently set at £850, subject to annual review.

ROBERT
HOLLIDAY
833 - 17th Street # 1
Santa Monica, CA 90403
310/829-9942 Fax: 310/362-8413

February 22nd, 1999

Larry Turpen
Corporate Office Services, Inc.
1005 Terminal Way
Suite # 110
Reno, Nevada 89502

Re: Landmark Planning, Ltd.

Dear Larry,

In my position as a consultant to Landmark Planning, Ltd., I wish to make recommendations regarding the relationship currently in place with Fitzgerald and Associates.

Within the last three months, I discovered an erroneous wire transfer in the amount of $30,000.00 had been made from the company's account at The Royal Bank of Canada. The transaction had been made several months earlier, but due to the lack of regular Bank Statements being made available, it went undiscovered for many months. It was eventually corrected, but only after I brought it to the attention of John Fitzgerald. Last Friday, I learned that the incident was repeated again on December 24, 1998. A second unauthorized $30,000.00 transfer to an unknown account.

I have found John Fitzgerald to be a very pleasant, likable, and congenial person to speak to, but I believe that perhaps his firm has more clients than in past years, and they are clearly unable to give this account the attention it needs.

It is with careful consideration but no hesitation whatsoever, I recommend that a new management company be retained to handle the company's business which includes the following:

1. The company bank account at the Royal Bank of Canada
2. The Prudential securities account
3. The VISA card account with Swiss American Bank
4. A newly opened account with" The Internet Fund"

I believe that this decision will be in the best interest of Landmark Planning, Ltd. and feel certain that John will understand my position. I am requesting that you take whatever action necessary to accomplish this change to another firm under a similar cost structure.

Sincerely,

Robert Holliday

LAD
FINANCIAL SERVICES, INC.
1005 Terminal Way, #110, Reno, Nevada 89502 (702) 324-0211
Fax (702) 324-6266
e-mail: larryt@lad.com

MEMORANDUM

To: **John Fitzgerald**

From: **Larry Turpen**

Subject: **The attached letter**

Date: **February 22, 1999**

Dear John,

I refer to the attached letter. In my e-mail to you I referenced the fact that this client was unhappy with the service he is getting from your office and asked to have the company transferred to another administrator.

I agreed that losing $30,000 twice was indeed indefensible and that he would be within his rights to make a formal request. The attached letter is that request.

Please make steps to transfer the administration of this company to Meridian Management as soon as possible. I will contact Reg and advise him of the fact that it will be coming over.

Could you possibly take the time to audit my accounts more closely. Perhaps I too have had some funds that for some unknown reason were sent to another company account. I really feel the balances should be higher than you report. However, since I do not get regular quarterly reports of the cash in and cash out I am really in the dark as to what is going on. This is not good.

Sincerely,

Dr. Larry Turpen

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 97

LAD
FINANCIAL SERVICES, INC.
1005 Terminal Way, #110, Reno, Nevada 89502 (702) 324-021
Fax (702) 324-6266
e-mail: larryt@lad.com

MEMORANDUM

[redacted] = Redacted by the Permanent Subcommittee on Investigations

To: **Reg Newton**
Meridian Management

Cc: **Fitzgerald & Associates, Ltd.**

From: **Larry Turpen**
LAD Financial Service

Subject: **Transfer of Company**

Date: **February 23, 1999**

Dear Reg,

Pursuant to our telephone conversation the following is the particulars on the company you will be receiving from John Fitzgerald pursuant to the clients request.

Please contact Fitzgerald and Associates as soon as possible to arrange this transfer.

Company Name: Landmark Planning, Ltd.

Consultant Robert Holiday
[redacted]

Phone: 310-[redacted]
Fax: 310-[redacted]

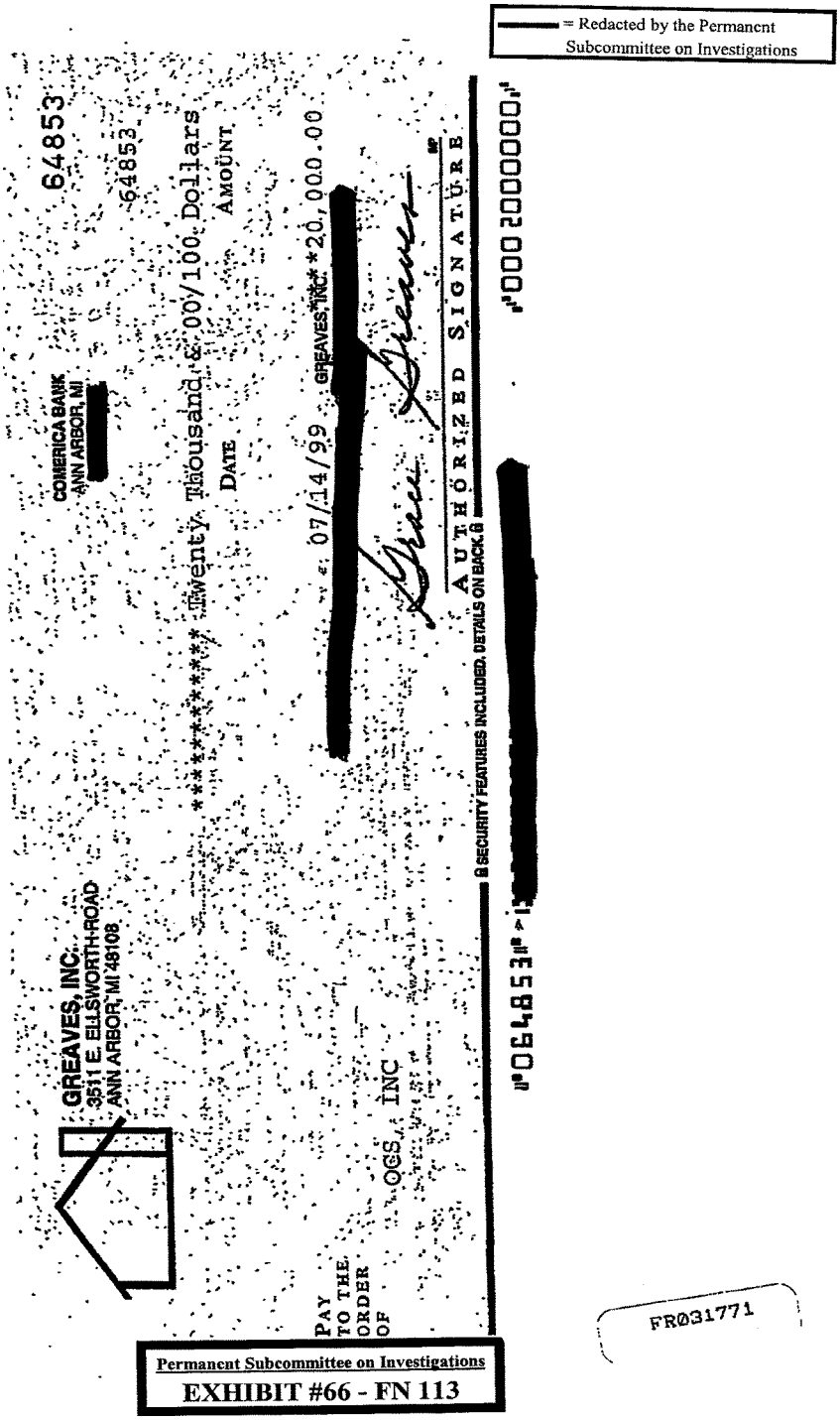
There is a company bank account at
The Royal Bank of Canada
A Prudential Securities Account
A secured credit card with Swiss American Bank
A new account "The Internet Fund"

This consultant requires frequent and accurate accounting and communication. His is an active company and will require your attention.

Best Regards,

Larry Turpen

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 98


= Redacted by the Permanent Subcommittee on Investigations
64853
COMERICA BANK
ANN ARBOR, MI
64853
Twenty Thousand & 00/100 Dollars
AMOUNT
DATE
07/14/99
GREAVES, INC. *20,000.00
AUTHORIZED SIGNATURE
SECURITY FEATURES INCLUDED, DETAILS ON BACK.
GREAVES, INC.
3511 E. ELLSWORTH ROAD
ANN ARBOR, MI 48108
PAY TO THE ORDER OF
OGS, INC
Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 113
FR031771

Offshore Corporate Services, Inc.

522 NW Murray Blvd.
Portland, OR 97229
Phone 503.647.7730
Fax 503.647.0080

July 14, 1999

Kurt Greaves
Mr. Roof
6000 Textile Rd
Saline, MI 48176

Attorney Client Priviledge

Dear Kurt,

Further to our visit please note the following:

1	Nevada Franchise Development, Inc.	Nevada
2	Adirondack Financial Services, Inc.	Canada
3	McLaren Investments, Inc.	Nevis IBC
4	Miller & Bennett Capital, Inc.	Nevis IBC
5	Naken Holdings, LLC	Nevis LLC

Wells Fargo is the bank for Nevada, all others will be with Exchange Bank & Trust Inc. Two credit card applications will be sent to you with incorporation documents for the three Nevis entities.

You may want to have a **Headquarters Package** implemented in Vancouver, BC Canada and another in Las Vegas, Nevada which includes an upscale physical address, listed dedicated phone number, professional live operator answered phone, backup voice mail, fax and refax, mail and re-mailing, message forwarding, and board room access. The cost is $2,000 per year per location.

Sincerely,

Terry L. Neal

International Management & Financial Services
www.offshorecorpservices.com

FR031784

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 115

EXCHANGE BANK & TRUST INC.

Overview

About the Bank
Exchange Bank & Trust Inc., is a licensed international private bank that does not advertise to the general public. Exchange Bank offers personalized private banking services to offshore corporations managed by Nevis American Trust Company and other Sovereign Crest Affiliates ONLY. Nevis American Trust administers Exchange Bank under Crown Privacy Statutes thus providing absolute confidentiality for customers.

About Security
Exchange Bank deposits are physically held with the Bank of Montreal - Royal Bank of Canada, Barclays Bank, (two of the largest banks in the world), and the Bank of Nevis. (Nevis American Trust is a significant shareholder in The Bank of Nevis, which is the largest domestic bank in Nevis.) All Exchange Bank customer balances are 100% secured with liquid funds. Client deposits held with Exchange Bank & Trust are both private and secure.

Opening an Account
Every customer of Exchange Bank is a client of Nevis American Trust or another Sovereign Crest Affiliate, therefore an offshore bank account may be opened instantly. Opening documents may be executed by your Nevis American Trust officer or by fax. Funds may be wire transferred to Exchange Bank for credit to a new account the same day that the account is opened. However, before allowing an outbound transfer of funds from a new account, beneficial ownership identification must be on file.

About Costs
Offshore, *private* banking fees are generally higher than domestic bank charges. Unlike a domestic bank, requests made by an Exchange Bank customer receive the immediate and personal attention of their own trust officer. Personalized service and confidentiality simply cost more. Maximum bank fees run as high as ½ of 1% on outbound wire transfers, a negligible amount compared to the value of confidentiality and personalized service. Whereas it is typical of a private bank to require a minimum opening deposit of from $500,000 to $2,000,000, at present, Exchange Bank has no requirement for a minimum opening deposit. Exchange Bank's fees are standard for international private banking.

About Confidentiality
In an increasingly hostile business environment, privacy is essential to risk planning. Bank customers seek confidentiality in their affairs to protect assets from disasters, unwarranted third party interference, and to reduce an ever-growing burden of unnecessary disclosure. Working with it's administering

partner, Exchange Bank provides confidential legal structures and private banking services to protect client assets, ensure privacy, and reduce risk, taxes, and costs. To summarize:

> ***Exchange Bank believes firmly in each individual's right to pursue aggressive and unrestrained enterprise and that it may be best developed through a secure, reliable, confidential, and tax friendly jurisdiction.***

Securing a Private Non-Reporting Offshore Credit Card
Exchange Bank customers may obtain an offshore Corporate Gold MasterCard within 72 hours of request. Applicants must pledge a deposit in an amount equal to 1½ times the card credit line amount. (Minimum $7,500 to secure $5,000 credit line.) No credit check is made on cardholders, and there is no request for the card signer to provide taxpayer identification information. Credit card security deposits are set aside in the form of an interest-bearing CD. A pledged CD serves only as security for an issued card and is NOT to be used for card payments except upon cardholder default. Six months after an offshore credit card is cancelled and all card debts are completely resolved, the proceeds of the CD, including earned interest, are returned to the cardholder.

Credit card clients generally request Nevis American Trust to receive monthly card statements and pay the amount due from the appropriate bank account. A copy of bank and credit card statements will be faxed, or sent via courier upon cardholder request.

EXCHANGE BANK & TRUST INC.

Main Street, Charlestown, Nevis, West Indies
Telephone: 869-469-5470 Facsimile: 869-469-1614

Policy Statement

Exchange Bank & Trust Inc., ("EBT") is a private international bank that provides specialty financial services to support diverse offshore strategies. EBT is administered by Nevis American Trust Company Limited, ("Natco") a Nevis, West Indies licensed trust company. Natco develops business structures designed to protect clients' equity base and provide the ideal financial platform for diversified worldwide investments. Natco is also a significant shareholder in the Bank of Nevis, the largest domestic bank in Nevis, West Indies.

Exchange Bank & Trust performs its daily business under the following guidelines:

- EBT bank accounts are only available to offshore companies that utilize the services of Nevis American Trust and where Exchange Bank holds funds in trust for those specific clients.
- EBT bank accounts are restricted to related companies formed in specific offshore jurisdictions such as Nevis, Isle of Man, Gibraltar, Bahamas, British Virgin Islands, etc.
- EBT does not conduct business directly with the public, nor are Exchange Bank accounts available to Canadian or U.S. citizens.
- EBT does not deal in, promote, or receive commission income from investment schemes.
- EBT, through its brokerage arm Sovereign Securities, Ltd, handles specific client requests for securities trading activities which are cleared through its Nevis, Canadian, or U.S., stock brokerage firm correspondents. Execution facilities are available to the restricted clientele of Nevis American Trust and Exchange Bank clients only. Safe custody of investments are typically provided by a designated bank or third-party correspondent stock brokerage firm. Investment advisory information is not provided.

In order to protect the integrity of the bank while ensuring that the strict provision for confidentiality is safeguarded, EBT operates anti-money laundering guidelines. In this regard EBT requires that clients provide information on source of funds in excess of U.S. $50,000, where the source is not routine or easily discernable. EBT will refuse deposits that in its sole opinion may be derived from criminal, unethical, or subversive activity.

Effective May 1997

FR031789

EXCHANGE BANK & TRUST INC.

Schedule of Bank Service Charges & Fees

(Rates in U.S. Dollars)

Wire Transfer Service Charges

Incoming Wire Transfer	$25.00 flat rate
InterBank Transfer	$35.00 flat rate
Certified Bank Draft	$30.00 minimum based on ½ of 1% on any amounts to $75,000.
Outbound Wire Transfer	$55.00 minimum based on ½ of 1% on the first $75,000, plus ¼ of 1% from $75,000 to $250,000, plus 1/8 of 1% on amounts over $250,000 for collected balances on deposit a minimum of five days. (For funds on deposit less than 5 full working days a rate of ¾ of 1% will be assessed with a $75 minimum fee.)

Management Fees

Non interest bearing accounts	No Charge (With minimum $1,500 balance)
Non interest bearing accounts	$15 per month (Where balance is less than $1,500)

Miscellaneous Charges

Letters of Credit must be fully secured. A set-up fee of from 1% to 2 ½% will be required, plus an annual fee of from ½% to 1% payable monthly by direct debit, with a $75 monthly minimum. Special loan situations and various collection routines shall be established on an individual basis.

No hourly charges shall be assessed where client interaction is required for normal banking questions such as the disposition of funds, etc. An hourly rate of $150 calculated in 6-minute increments will be assessed for client requests that bank personnel provide special services such as interaction with client's lawyers, accountants, third-party interface, and other clerical or management interaction.

Anti-Money Laundering Guidelines

In order to protect the integrity of the bank while ensuring that the strict provision for confidentiality is safeguarded, we operate anti-money laundering guidelines. In this regard, we request that customers provide information on any substantial transfer of funds including source and origin of funds and confirmation that deposits are not derived from criminal activity. This policy particularly applies in the case of a substantial transfer of funds to an account, which is immediately debited for an outward transfer.

Effective July 1998

FR031790

= Redacted by the Permanent Subcommittee on Investigations

EXCHANGE BANK & TRUST INC.

Wire Transfer Instructions for Funds through the U.S.

ABA Routing Number:	026007760
Routed Through:	Harris Bank
For Final Destination:	Bank of Montreal Mall Level, First Bank Tower 595 Burrard Street, Vancouver, B.C. V7X 1L7
SWIFT Address:	HATRUS33
Transit Number:	[redacted]
Account Number:	[redacted]
Account Name:	Exchange Bank & Trust Inc.
For Further Favor:	McLaren Investments, Inc - [redacted]

Wire Transfer Instructions for Funds from Outside the U.S.

For Final Destination:	Bank of Montreal Mall Level, First Bank Tower 595 Burrard Street, Vancouver, B.C. V7X 1L7
SWIFT Address:	BOFMCAM-2
Transit Number:	[redacted]
Account Number:	[redacted]
Account Name:	Exchange Bank & Trust Inc.
For Further Favor:	McLaren Investments, Inc - [redacted]

Please add an additional US$25.00 to the total amount being wired to cover wire transfer fees. Thank you.

Revised September 14, 1998

FR031791

[redacted] = Redacted by the Permanent Subcommittee on Investigations

EXCHANGE BANK & TRUST INC.

Wire Transfer Instructions for Funds through the U.S.

ABA Routing Number:	026007760
Routed Through:	Harris Bank
For Final Destination:	Bank of Montreal Mall Level, First Bank Tower 595 Burrard Street, Vancouver, B.C. V7X 1L7
SWIFT Address:	HATRUS33
Transit Number:	[redacted]
Account Number:	[redacted]
Account Name:	Exchange Bank & Trust Inc.
For Further Favor:	Naken Holdings, LLC - [redacted]

Wire Transfer Instructions for Funds from Outside the U.S.

For Final Destination:	Bank of Montreal Mall Level, First Bank Tower 595 Burrard Street, Vancouver, B.C. V7X 1L7
SWIFT Address:	BOFMCAM-2
Transit Number:	[redacted]
Account Number:	[redacted]
Account Name:	Exchange Bank & Trust Inc.
For Further Favor:	Naken Holdings, LLC - [redacted]

Please add an additional US$25.00 to the total amount being wired to cover wire transfer fees. Thank you.

Revised September 14, 1998

FR031792

BENJAMIN D. KNAUPP, P.C.
Business, Tax, and International Legal Advisors
10550 SW Allen Blvd. Suite 100
Beaverton, OR 97005 U.S.A.
Tel. (503) 626-7071
Fax (503) 626-7950
Email: ben@knaupplaw.com
Website: http://www.knaupplaw.com

September 5, 2002

Kurt Greaves
6000 Textile
Saline, MI 48176

Dear Mr. Greaves:

I have revised the Satisfaction of Mortgage forms to update some of the address information and I sent them to Felix Reuben FedEx today. I instructed Mr. Reuben to sign the forms and send them FedEx to you directly. I also instructed Mr. Reuben to bill you directly for any of his costs.

Please remit to my office the sum of $75.00 to cover my time and $25.00 FedEx costs. Please make the check payable to Benjamin D. Knaupp, P.C.

Good luck with your refinance.

Best regards,

BENJAMIN D. KNAUPP, P.C.

by Benjamin D. Knaupp
Managing Attorney

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 118

FR031877

Amicus Neighbourhood Law Centre
BARRISTERS, SOLICITORS, NOTARIES PUBLIC
207 MENZIES STREET
VICTORIA, B.C. V8V 2G8
TELEPHONE: (250) 383-5012, FAX: (250) 385-1174
E-MAIL: amicus@islandnet.com

13 September 2002 OUR FILE #2600.000

Mr Curt Greaves
6000 Textile Road
Saline, MI, USA, 48176

Dear Mr Greaves,

Please find enclosed, three originally executed **Discharges of Mortgage**

Following our telephone conversation yesterday – Thursday 12 September – and following receipt of a fax from you indicating that you had sent money by wire transfer, I checked with our Credit Union to see if the money had arrived. The Credit Union pointed out that the **Wire Transfer Request** specified the incorrect account number.

You will see that I have highlighted account number "02410809" on the enclosed copy of the **Wire Transfer Request**. Those numbers identify the financial institution. For that reason, the account had not been credited with your money when we checked this morning.

Even though the money has not yet been received from you, I am sending the **Discharges** to you by Fed-Ex. I will follow up at my end early next week. If the money reaches me in spite of the slip up with the account number, terrific.

In view of the fact that I am taking a chance by paying the Fed-Ex charges even though I have not yet received the funds, I would ask you to follow up at your end too. If your bank confirms that your money did not reach ours, I would ask that you send a cashier's check (by air mail) to the address at the top of this letter.

Yours sincerely,

Marcus O'Sullivan

P.S. I just found out that we missed the deadline for pick up by Fedex today MOD

Permanent Subcommittee on Investigations
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FR031878

Attn: Jan
8 Page

SOVEREIGN LIFE & CASUALTY, LTD.

APPROVAL MEMORANDUM

= Redacted by the Permanent Subcommittee on Investigations

July 23, 2001.

GREAVES INC.
3511 E. Ellsworth,
Ann Arbor, MI 48108

Dear Sir,

We are pleased to confirm the approval of your application for business casualty insurance. Your new policy number is 985-01.

The executed policy agreement will be forwarded to you upon receipt of the initial premium amount of US$230,000.

Please wire transfer funds to the following coordinates:

ref# 001664

ABA Routing Number:	026 009 580
Routed Through:	ABN-AMRO BANK N.V. 335 MADISON Ave New York NY, 10017
SWIFT Address:	ABNAUS33
Beneficiary Bank	The Bank of Nevis Limited
Account Number	[redacted]
Beneficiary Customer	Sovereign Life & Casualty, Ltd.
Account Number	[redacted]

Sovereign Life & Casualty, Ltd.
P.O. Box 1250
Otway Building
Grand Anse
St. George's, GRENADA.

FR031781

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 119

ASSIGNMENT UNIT/COST CENTER: 91168 | EFFECTIVE DATE: 8/3/01

BORROWER: Greaves, Inc

OBLIGOR: [redacted] | OBLIGATION: 26

AMOUNT: $230,000.00

[redacted] = Redacted by the Permanent Subcommittee on Investigations

ADVANCE

☐ Credit Bank Account ☐ Cashiers Check | $ 230,000.00 | ACCOUNT NUMBER: [redacted]

☒ Wire Funds MYLAR No.:

BANK: ABN-AMRO Bank NV | ABA: 026009580

CITY & STATE: New York, NY | SWIFT address: ABNAUS33

A/C NUMBER: [redacted] | ATTENTION: Beneficiary Bank: Bank of Nevis Limited

For credit to: Sovereign Life & Casualty Ltd # 8291000

NEW BALANCE

AVAILABILITY 400,000

FUNDING INFORMATION

REPRICING DATE | NUMBER OF DAYS | MATURITY DATE: 1/1/02

☐ Conversion
From
To
☐ Rollover
☐ Fixed
☐ Floating With Prime

Cost of Funds %
Spread %
Customer Rate %

ACCRUAL BASIS
☐ A/360
☐ A/365
☐ A/365-366
☐ Other

INTERNATIONAL ONLY
SIC
Fed Code

RISK RATING | INTEREST PAYABLE AT REPRICING DATE? ☐ Yes ☐ No | IF NO, SPECIFY COMMENCING DATE AND FREQUENCY

SPECIAL INSTRUCTIONS

See attached

REPAYMENT

☐ Charge Bank Account | ACCOUNT NUMBER

☐ Receive Wire Funds | $ | FROM

AMOUNT TO PRINCIPAL | AMOUNT TO INTEREST | AMOUNT TO FEES

NEW BALANCE

TRANSACTION REQUESTED BY: Grace Greaves | PHONE

APPROVAL | TODAY'S DATE: 8/3/01

FR031782

SLC SOVEREIGN LIFE & CASUALTY, LTD.

TELEFAX COVER SHEET

Date: September 5, 2001
Pages: 10 (including cover)
From: Company Management
Tel No: 1 473 439 1176
Fax No:1 473 439 1265

To: Kurt Greaves
Fax No.:
Re: Business Casualty and Fidelity Insurance.

MESSAGE:

Kurt,

Business Casualty and Fidelity Insurance

Please initial the pages of the policy and sign indemnity Agreement. Fax a copy to 1.473.439.1265 and mail original copy which will be sent via FEDEX to Sovereign Life & Casualty, P. O. Box 1260, Otway Building, Grand Anse, St. George's, GRENADA.

Regards,

Grant Covington

FR031860

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 119

SOVEREIGN LIFE & CASUALTY LTD.

BUSINESS CASUALTY AND FIDELITY INSURANCE

Including Difference of Conditions, Excess, and Umbrella Coverage

Policy Number: 985-01

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer in the application attached hereto and made a part hereof, and any endorsements and riders issued or attached and the material incorporated therein, and subject to the Limit of Liability and all other terms and conditions contained herein, SOVEREIGN LIFE & CASUALTY, LTD., herein called the Insurer@, agrees to provide this Policy to Greaves Inc., at 3511 E. Ellsworth, Ann Arbor, MI 48108, herein called the Insured@ as follows:

1. DECLARATIONS AND INSURING AGREEMENT

This Policy shall indemnify the Insured for any Claim first made by the Insured during the Policy Period and reported in writing to the Insurer pursuant to the terms of this Policy for any covered loss, as follows:

A. PERILS INSURED

1. Loss from want of honesty or fidelity of employees, including fraud, violation of non-competition agreement or non-disclosure agreement.

2. Loss from bad faith representation of the Insured's interests or breach of fiduciary duty by directors, officers or other employee-agents of the Insured.

3. Loss from impairment to the goodwill or trade name of the Insured due to acts described in paragraphs 1 and 2 of this section.

4. Loss from tortuous acts by any third party including disgruntled customers, business rivals, or others conducting smear campaigns, interfering with contractual relations, or other unfair trade practices.

5. Loss from economic downturns due to acts of God, strikes, labor unrest, civil unrest, war, or other force majeure.

6. Loss due to regulatory actions and requirements which decrease the market value of inventory or capital assets; increase production costs of inventory; decrease market demand for inventory items; or result in decreased profits due to increased compliance costs.

7. Loss of commercial credit lines or decrease in credit limits due to any acts described in paragraphs 1 through 5 of this section.

Insured Initials KG

8. Loss due to adverse legal judgments; rulings, or costs of defense of civil claims or criminal investigations made against the Insured or its officers, and excess of all other policies of insurance that are provide primary coverage to the Insured.

9. Loss due to increased costs or decreased sales arising out of resignation of key employees.

10. Loss due to termination or loss of key business relationships including, but not limited to loss of a strategic partnerships, favorable contracts, special advocates, favorable service providers, etc.

B. VALUATION OF INSURED CLAIMS

The valuation of insured claims under this Policy as described in this section shall be determined on the following basis:

1. The valuation of any Claim made for a loss described in paragraphs 1, 2, 3, or 4 of this section shall be the annual net decrease in business profits directly attributable to the actions of any party described in said paragraphs.

2. The valuation of any Claim made for a loss described in paragraphs 5, 6, 9, or 10 of this section shall be the annual net decrease in business profits directly attributable to the occurrence of events described in said paragraphs.

3. The valuation of any Claim made for a loss described in paragraph 7 of this section shall be the actual decrease in credit limit or value of lost credit lines.

4. The valuation of any Claim made for a loss described in paragraph 8 of this section shall be limited to actual costs, damages, awards, fines, and expenses paid or incurred by the Insured.

C. PREMIUMS

The Insured shall pay annual premiums in the amount of $230,000 in U.S. dollars. Premiums in any amount may be paid in advance. The Insured will be the payee for any return of premiums paid and for any Claim paid.

D. RETURN OF PREMIUMS

Ninety percent (90%) of any premiums paid by the Insured under this Policy shall be returned to the Insured if:

(i) This Policy is found void *ab initio* either due to omissions or errors by the Insured or by the Insurer in the making of this Policy.

(ii) If the risks insured herein do not attach at law in light of all facts and circumstances contemplated, understood, and thought to exist or occur.

E. LIMIT OF LIABILITY

Insurer=s liability to the Insured claims made is limited. The maximum aggregate amount that shall be paid to the Insured under this Policy is Two Million, Three Hundred Thousand

($2,300,000) U.S. dollars. Once the limit is reached we will have no further obligation under this contract under any circumstances.

E. TERM AND TERRITORY OF COVERAGE

This Policy shall remain in force for every year in which Premiums have been paid, and, in the event that no claims have been made in prior years, this Policy shall continue in force for a period not to exceed ten (10) years upon payment of an extension fee determined by Insurer and subject to all other terms, conditions, and limitations contained herein. This Policy shall apply to any loss by the Insured worldwide.

F. DEDUCTIBLE

An aggregate annual deductible of $2,500 shall be assessed and paid by the Insured before the Insurer has any duty to indemnify the Insured for a loss suffered.

2. DEFINITIONS

(a) "Claim" means proof positive shown by the Insured under the terms and conditions of this Policy suffered by the Insured due to the risks insured as defined in Section 1A of this Policy.

(b) "Insured" means the Applicant as defined in the application package, and as represented to the Insurer in writing or orally by the legal representatives of the Insured.

(c) "Loss" means decreased profits, cash outlays, expenses, costs, or decreased credit limits as the case may be, and calculated as described in Section 1B of this Policy.

(d) "Policy Period" means the period from the inception date of this Policy to the earlier of the expiration date or the effective date of cancellation of this Policy.

(e) "Premium" means the consideration paid to the Insurer to provide excess business casualty insurance coverage to the Insured.

(f) "Wrongful Act" means any act, error or omission by the Insured's directors, officers, partners or employees, or by any other lawful representative agent, in their respective capacities as such.

3. ASSIGNMENT AND TRANSFERABILITY

(a) This Policy shall be freely assignable and transferrable to the successors in interest of the Insured in any non-hostile merger or acquisition transaction as long as the Insured's benefits under this Policy remain in force, and subject to the Insurer's written consent.

(b) Insurer's liabilities under this Policy may be covered in whole or in part by reinsurance arrangements. The Insured agrees to accept a performance of the duties of the Insurer made by

a delegatee of the Insurer, and the Insured hereby grants a novation to the Insurer in any case where the Insurer's liabilities have been delegated by reinsurance arrangements.

(c) This Policy may be cancelled and declared null and void by Insurer if the Insured experiences a change in ownership which, in the view of the Insurer, constitutes a hostile merger or takeover, a forced buyout, a court-ordered change in ownership, or any other change of ownership by which third parties may attempt to gain access to the benefits of this Policy through a takeover of the Insured.

4. **EXCLUSIONS**

The Insurer shall not be liable to pay benefits to anyone other than the Insured, and shall not be liable on any Claim made against the Insured by third parties:

(a) arising out of, based upon or attributable to the committing in fact of any criminal or deliberately fraudulent act, or any willful violation of any law;

(b) for bodily injury, sickness, disease, death or emotional distress of any person, or damage to or destruction of any tangible property, including the loss of use thereof, or for injury from libel or slander or defamation or disparagement, or for injury from a violation of a person=s right of privacy;

(c) alleging, arising out of, based upon or attributable to any Wrongful Act occurring prior to the inception date of this Policy if on or before such date any Insured knew or could have reasonably foreseen that such Wrongful Act could lead to a Claim, or alleging, arising out of, based upon or attributable to any subsequent interrelated Wrongful Act;

(d) alleging, arising out of based upon or attributable to any: (i) employee benefit plan or trust sponsored by the Insured or sponsored by any business enterprise that is operated or managed or owned, directly or indirectly, in whole or in part, by any Insured; or (ii) any plan in which the Insured is a participant or is a named fiduciary; or arising out of, based upon or attributable to any services performed by the Insured acting in fact as a trustee, administrator or fiduciary under the Employee Retirement Income Security Act of 1974, or amendments thereto, or any similar federal or state statutory law or any regulation or order issued pursuant thereto;

(e) brought on behalf of the Insured, or the successors or assigns of the Insured; or by or on behalf of any enterprise, trust or other entity that is operated or managed or owned, directly or indirectly, in whole or in part, by the Insured; or for which the Insured is a trustee, fiduciary, director or officer thereof;

(f) alleging, arising out of, based upon or attributable to any liability assumed by the Insured under any Indemnification contract or agreement, either oral or in writing;

(g) for loss, claims, or perils covered by other policies of insurance of the Insured or for the benefit of the Insured.

5. **CHANGES**

This Policy contains all the agreements between the Insurer and the named Insured concerning the insurance afforded. Only the Insured shown in the Declarations is authorized to make changes in the terms of this Policy with our consent. This Policy's terms can be amended or waived only by endorsement issued by us and made a part of this Policy. In the absence of fraud, we will consider all statements in the application to be representations and not warranties. No statement by you or the applicant will be used by us to contest a Claim unless the statement is in the attached application or in an attached amendment to the application.

6. CLAIMS PROCEDURE

No Claim shall be made except in writing and supported by adequate financial documentation in the form of authentic copies of the general accounting books and records of the Insured. Insurer has the right to request further information or proof for the basis of any Claim by Insured. No Claim may be brought to secure the benefits of this Policy except by the first named Insured. All Claims must be submitted in writing on the Insured's approved Claim forms with supporting documentation of loss to be provided by the Insured in any reasonable format.

The Insured grants the Insurer the right to examine and audit Insured's books and records to the extent they relate to any Claim made under this Policy at any time during the Policy Period and up to three years afterward. This policy shall not contribute to any loss paid under any other policy, and shall be excess of any other applicable coverage of the Insured.

The Insured shall, as a condition precedent to the obligations of the Insurer under this Policy, give written notice to the Insurer of a Claim made against an Insured during the Policy Period as soon as practicable and either:

(a) anytime during the Policy Period; or

(b) within 60 days after the end of the Policy Period, as long as such Claims(s) is reported no later than 60 days after the date such Claim was first made against an Insured.

7. CANCELLATION

This Policy may be canceled by the Insured at any time only by mailing written prior notice to the Insurer stating when thereafter such cancellation shall be effective, or by surrender of this Policy to the Insurer or its authorized agent. This Policy may also be canceled by or on behalf of the Insurer by delivering to the Insured or by mailing to the Insured, by registered, certified, or other first class mail, at the Insured's address as shown in Item 1 of the Declarations, written notice of cancellation not less than sixty (60) days prior to the end of the current Policy Period. The mailing of such notice as aforesaid shall be sufficient proof of notice.

If the Insured cancels this Policy, and if no Claim has been made by Insured on this Policy, premiums paid may be returned to the Insured under any of the circumstances described in Section ID, and only upon those terms and conditions stated in Section ID.

If this Policy shall be canceled by the Insurer, the Insurer shall refund to the Insured any premiums which have been prepaid for future coverage.

8. **ACTIONS AGAINST INSURER AND CHOICE OF VENUE AND LAW**

No action shall lie against the Insurer unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this Policy including payment of all premiums due. No person or organization shall have any right under this Policy to join the Insured as a party to any action against the Insurer to determine the Insurer's liability, nor shall the Insurer be impleaded by the Insured or their legal representatives. Bankruptcy or insolvency of the Insured shall not relieve the Insurer of any of its obligations hereunder.

The Insured consents and agrees that proper venue shall lie with the courts of the Island of Grenada, West Indies, and that proper choice of law governing any dispute regarding this Policy shall be the laws of the Island of Grenada, West Indies.

Insured Initials KG

This policy is deemed issued and in force as of the date Insured=s application is accepted. Reproduction of signature of the Officer below shall be effective and bind the Insurer as if originally signed by such Officer.

SOVEREIGN LIFE & CASUALTY, LTD. . .

_____

By _____
Authorized Representative

FR031867

SOVEREIGN LIFE & CASUALTY, LTD.

INDEMNITY AGREEMENT

This Indemnity Agreement is effective as of the 5 day of September, 2001 between Mc Laren Investment, Inc.(the "Indemnitor"), of Main Street, Charlestown, Nevis, and Sovereign Life and Casualty Ltd., (the "Indemnitee") of Grenada, West Indies.

For valuable consideration, the sufficiency of which is acknowledged and agreed to by the parties, the parties agree as follows:

1. **Duty to Indemnify.** The Indemnitor agrees to indemnify and hold harmless the Indemnitee from any and all claims made by the insured party or the insured party's representatives, or any party claiming any benefit as an insured under the Excess Business Casualty and Fidelity Policy (the "Policy") issued by the Indemnitee, attached as Exhibit "A", and subject to the limits and conditions set forth below, and the limits and conditions set forth in the Policy. INDEMNITOR ACKNOWLEDGES AND UNDERSTANDS THAT ITS OBLIGATION TO INDEMINIFY AND HOLD HARMLESS THE INDEMNITEE IS ABSOLUTE, AND THAT INDEMNITOR HEREBY FULLY ASSUMES ALL LIABILITIES OF THE INDEMNITEE UNDER THE POLICY IN THE ATTACHED EXHIBIT, AND THEREBY RELEASES INDEMNITEE FROM LIABILITY TO THE INSURED UNDER THE POLICY.

2. **Notification.** In the event of any claim or asserted liability against the Indemnitee arising from the above activity, the Indemnitee agrees to provide the Indemnitor with prompt written notice. Upon such notice, the Indemnitor agrees to indemnify the Indemnitee from any claim which is made upon the Disability Policy set forth in Exhibit A. In the event the Indemnitor fails to indemnify the Indemnitee for any claim of liability arising from the duty described above, the Indemnitee has the right to defend or settle such claim on their own behalf and be fully reimbursed by the Indemnitor for all costs and expenses of such defense or settlement.

3. **Conditions and Limits.** This Agreement is non-transferrable by the Indemnitor without the express written consent of the Indemnitee. Payment of any claim submitted by the Indemnitee to the Indemnitor shall be made promptly, in U.S. dollars, and shall be for the benefit of the Indemnitee, or its successors or assigns. Payment shall be made by check, money order, or wire transfer and shall take place at the office of Indemnitee. IN NO EVENT SHALL INDEMNITOR MAKE PAYMENTS DIRECTLY TO ANY INSURED UNDER THE POLICY.

4. **Governing Law and Effect.** No modification of this Agreement will be effective unless it is in writing and is signed by both parties. This Agreement binds and benefits both parties and any successors. This Agreement, including any attachments, is the entire agreement between the parties. This Agreement is governed by the laws of Nevis, West Indies and any disputes will be

tried in the appropriate courts located in the West Indies.

In witness of this, the undersigned have executed this Agreement as of the day and year first written above.

INDEMNITOR

By:_____
Title:_____

Date:_____

x_____
Beneficial Owner

INDEMNITEE
SOVEREIGN LIFE AND CASUALTY LTD.

By:_____
Title:_____

Date:_____

FR031859

Offshore Consulting Services, Inc.

822 NW Murray Blvd.
Portland, OR 97229
Phone 503.647.7730
Fax 503.647.0080

September 6, 2000

Kurt Greaves and Grace-Anne Greaves
6000 Textile Rd
Saline, MI 48176

Dear Kurt and Grace-Anne,

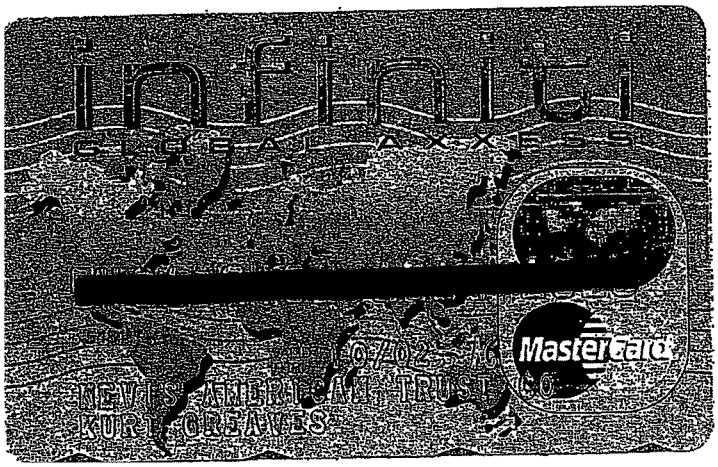
We have completed our corporate consulting services from within the United States and recommend that you instruct us to move your file to St. Kitts & Nevis where our work product and mutual correspondence will be secure in accordance with the Privacy and Confidentiality Act of St. Kitts & Nevis.

Under U.S. law, a litigant can subpoena files from our U.S. office and we could be required to provide copies of the contents of such files. Enclosed is an Acknowledgement and Indemnification Agreement wherein you relieve us from responsibility to maintain such files in the U.S. and instruct us to move documents, legal work product, letters, memos, records, research, etc. to a safe haven beyond the grasp of predators.

Please sign and return the attached agreement and we will quickly relocate sensitive client data.

Sincerely,

Lee E. Morgan
President



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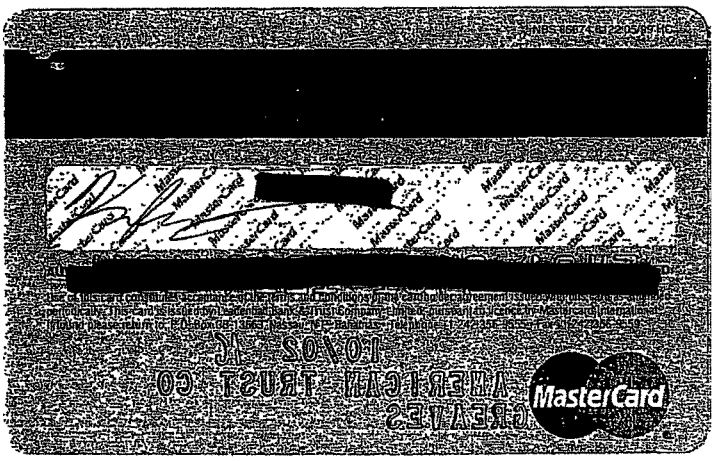

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 122

FR031884

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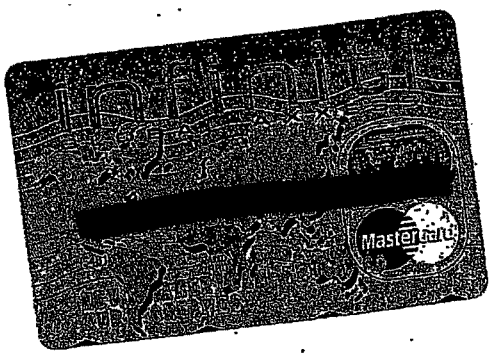
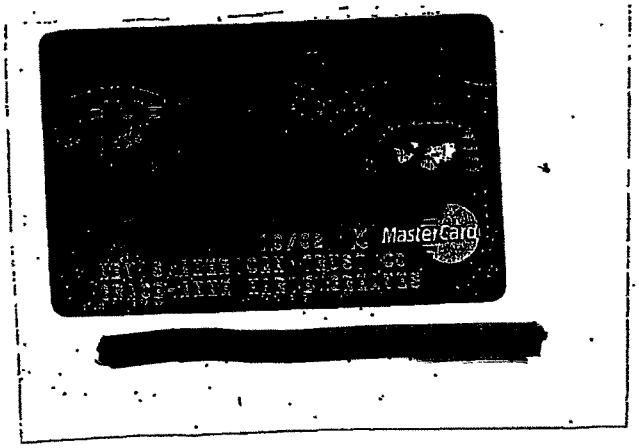
CALLS IN QUESTION





FR031885

GLOBAL AXXESS CARD CENTRE

DEAR CARDHOLDER,

KINDLY ACKNOWLEDGE RECEIPT OF YOUR INFINITI PLATINUM BY SIGNING BELOW

* ACCOUNT *	* CARDS *
[redacted]	(2)

PRINCIPAL CARDHOLDER HERBERT J. GREAVES

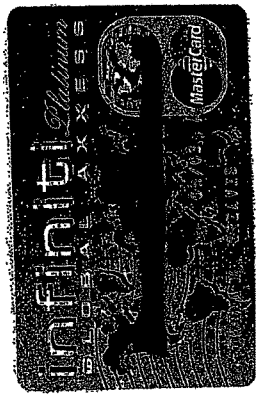
CUSTOMER SIGNATURE Herbert J. Greaves DATE 5/4/02

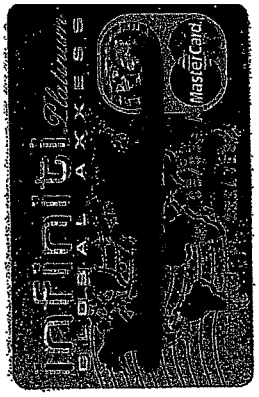
WITNESSED BY Donna L. Greaves

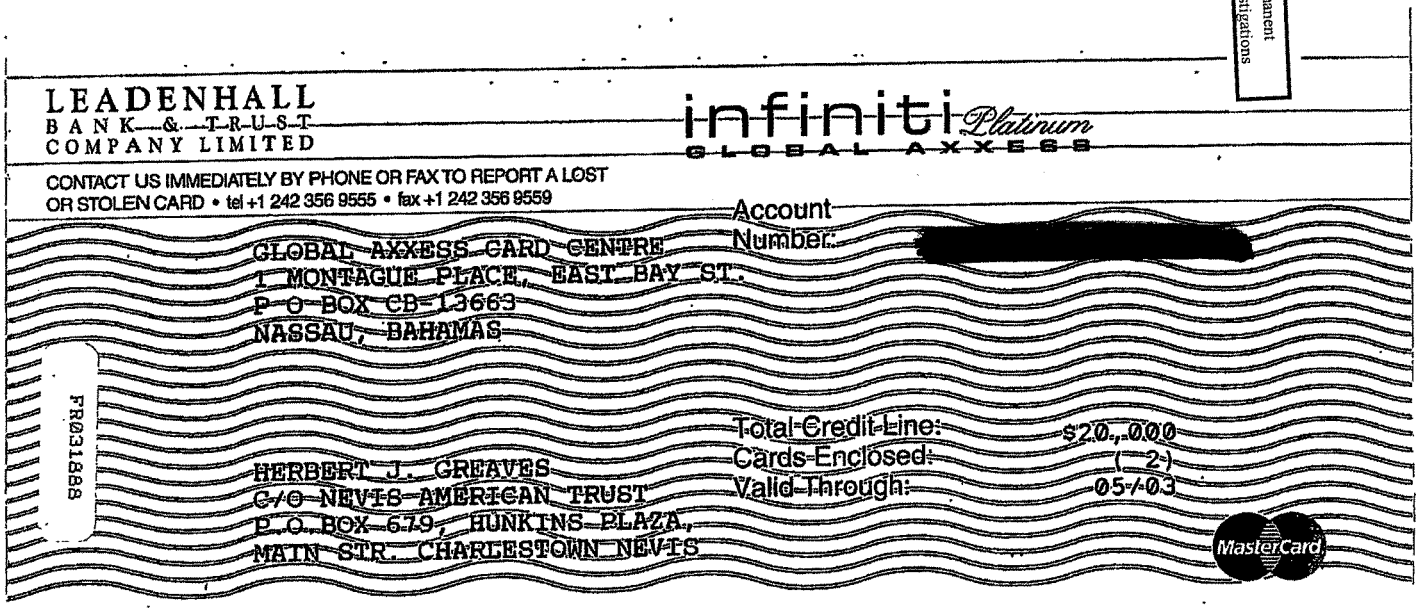
FR031885

= Redacted by the Permanent Subcommittee on Investigations

= Redacted by the Permanent Subcommittee on Investigations







LEADENHALL
BANK & TRUST
COMPANY LIMITED

infiniti Platinum
GLOBAL AXXESS

CONTACT US IMMEDIATELY BY PHONE OR FAX TO REPORT A LOST
OR STOLEN CARD • tel +1 242 356 9555 • fax +1 242 356 9559

GLOBAL AXXESS CARD CENTRE
1 MONTAGUE PLACE, EAST BAY ST.
P O BOX CB-13663
NASSAU, BAHAMAS

FR031888

HERBERT J. GREAVES
C/O NEVIS AMERICAN TRUST
P.O. BOX 679, HUNKINS PLAZA,
MAIN STR. CHARLESTOWN NEVIS

Account
Number: [redacted]

Total Credit Line: $20,000
Cards Enclosed: (2)
Valid Through: 05/03

MasterCard

= Redacted by the Permanent
Subcommittee on Investigations

[redacted] = Redacted by the Permanent Subcommittee on Investigations

GLOBAL AXXESS CARD CENTRE

DEAR CARDHOLDER,

KINDLY ACKNOWLEDGE RECEIPT OF YOUR MASTERCARD GOLD BY SIGNING BELOW

* ACCOUNT *	* CARDS *
[redacted]	(1)

PRINCIPAL CARDHOLDER NEVIS AMERICAN TRUST CO. LTD.

CUSTOMER SIGNATURE _____ DATE 10-8-99

WITNESSED BY _____

FR031889

GLOBAL AXXESS CARD CENTRE **** RENEWAL ****

DEAR CARDHOLDER,

KINDLY ACKNOWLEDGE RECEIPT OF YOUR MASTERCARD GOLD BY SIGNING BELOW

It is important to acknowledge receipt of your card, even if you do not intend to activate it.

* ACCOUNT * [redacted] * CARDS * (1)

PRINCIPAL CARDHOLDER NEVIS AMERICAN TRUST CO, LTD.

CUSTOMER SIGNATURE _____ DATE _____

WITNESSED BY _____

= Redacted by the Permanent Subcommittee on Investigations

FR031890

= Redacted by the Permanent Subcommittee on Investigations

LEADENHALL
BANK & TRUST
COMPANY LIMITED

CONTACT US IMMEDIATELY BY PHONE OR FAX TO REPORT A LOST OR STOLEN CARD • tel +1 242 356 9555 • fax +1 242 356 9559

GLOBAL AXXESS CARD CENTER
1 NORFOLK HOUSE
P.O.BOX CB 13660
NASSAU, BAHAMAS

NEVIS AMERICAN TRUST CO., LTD.
PO BOX 679
CHARLESTOWN, NEVIS
WEST INDIES

infiniti GLOBAL AXXESS

Liberti GLOBAL AXXESS

Account Number:

Total Credit Lines:
Cards Enclosed:
Valid Through:

MasterCard

PRESENTING YOUR GLOBAL AXXESS CARD

FOR YOUR PROTECTION, TO ACTIVATE THIS CARD CALL CUSTOMER SERVICE AT 242-356-9555

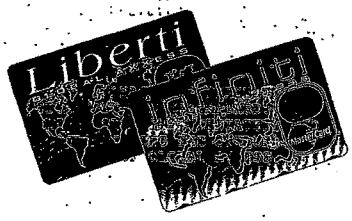
AXESS INTERNATIONAL

YOUR CARD(S) IS VALID UNTIL DATE SHOWN ON CARD FACE. CHECK THE EMBOSSED INFORMATION CAREFULLY.

PLEASE BE SURE TO SIGN ALL CARDS IMMEDIATELY

TO ORDER ADDITIONAL CARDS, CONTACT US DIRECTLY.

PLEASE RETAIN THIS HANDY REFERENCE CARD



FOR CUSTOMER SERVICE OR TO REPORT A LOST OR STOLEN CARD CONTACT:

MasterCard

FR031891

COMMONWEALTH OF THE BAHAMAS
New Providence

LEADENHALL BANK & TRUST COMPANY LIMITED CREDIT CARD CONDITIONS OF USE

IMPORTANT: Before you sign or use the enclosed Card, please read this Agreement thoroughly. By signing, using or accepting the Card, you agree with Leadenhall Bank & Trust Company Limited to be bound by the terms and conditions contained herein including the SCHEDULE OF FEES attached.

Your use of the card will be governed by this Agreement.

DEFINITIONS

1. In these conditions: This Agreement means the agreement between Leadenhall Bank & Trust Company Limited and the Cardholder the terms of which are these conditions as varied from time to time and THE SCHEDULE OF FEES which are attached. **"Authorised User"** means a Cardholder nominated under condition 11. **"LTC"** means Leadenhall Bank & Trust Company Limited. **"Card"** means one or more credit cards issued by LTC pursuant to this agreement. **"Card Account"** means an account maintained by LTC in relation to Card Transactions. **"Cardholder"** means any person for whose use a Card is issued by LTC. **"Card Transaction"** means any payment made or cash advance obtained by the use of the Card, the Card number or in any manner authorised by the Cardholder for debit to the Card Account. **"Trust property"** means, but is not limited to, money, securities, and financial instruments of every kind and nature. This definition includes financial assets or other property currently or hereinafter held, carried or maintained by LTC or by any of its affiliates in its possession and control for any purpose in and for any of the Cardholder's accounts now or hereafter opened including any assets in which the Cardholder may have an interest. **"Credit Limit"** means the maximum debit balance permitted on the Card Account as determined and notified to the Principal Cardholder by LTC from time to time. **"PIN"** means the personal identification number issued to the Cardholder. **"Principal Cardholder"** means a person in whose name a Card Account is maintained.

USE OF THE CARD

2. (a) It is understood that by signing the Card Application and Trust Agreement the Cardholder is establishing a Trust Account with LTC and that the Cardholder will provide LTC Trust Property which LTC will hold for the Cardholder for the purpose of establishing and securing the Card Account and in this regard LTC will open a Card Account for the Cardholder and LTC will issue the Cardholder one or more MasterCard® cards. LTC is hereby instructed to invest the Trust Property directly or indirectly in Short Term U.S. Government Guaranteed Securities, and to hold said securities as collateral against funds advanced through the use of the MasterCard.

(b) The available free credit limit shall be the extent of Sixty Six (66%) per centum on the Liberti Card and Seventy-Five (75%) per centum on the Infiniti Gold and Platinum Cards of the Trust Property held by LTC. LTC may reasonably withhold access to the Trust Property until all Card Transactions have been settled and may satisfy amounts owed in connection with the Card Account from the Trust Property.

(c) The Cardholder agrees not to conduct Card Transactions in excess of the credit limit. Nevertheless, the Cardholder agrees to be liable for and to pay for any and all Card Transactions conducted by virtue of use of the Card and/or PIN.

(d) The card must be signed by the Cardholder immediately on receipt and may be used only:

(i) by that Cardholder;

(ii) subject to the terms of this agreement current at the time of use;

(iii) within the Credit Limit (any excess over the Credit Limit being immediately repayable to LTC and in calculating whether the credit limit has been exceeded LTC shall take into account the amount of any Card Transaction not yet debited to the Card Account and any authorisation given by LTC to a third party in respect of a prospective Card Transaction);

(iv) to obtain and use the facilities and benefits from time to time made available by LTC in respect of the use of the Card;

(v) during the validity period embossed on the Card;

(vi) subject to the right of LTC in it's absolute discretion and without prior notice at any time to withdraw the right to use the Card for, or to refuse any request for authorisation of, any particular Card Transaction and to publish any such withdrawal or refusal.

THE CARD ACCOUNT

3. LTC will debit/credit the Card Account with the amounts of all Card Transactions, and any other liabilities of the Cardholder including fees and charges as described in the schedule attached, which shall be subject to change and will be charged to the Card Account and any loss incurred by LTC arising from the use of the Card. The Principal Cardholder shall be liable to pay LTC all amounts so debited whether or not a sale or cash advance voucher is signed by a Cardholder.

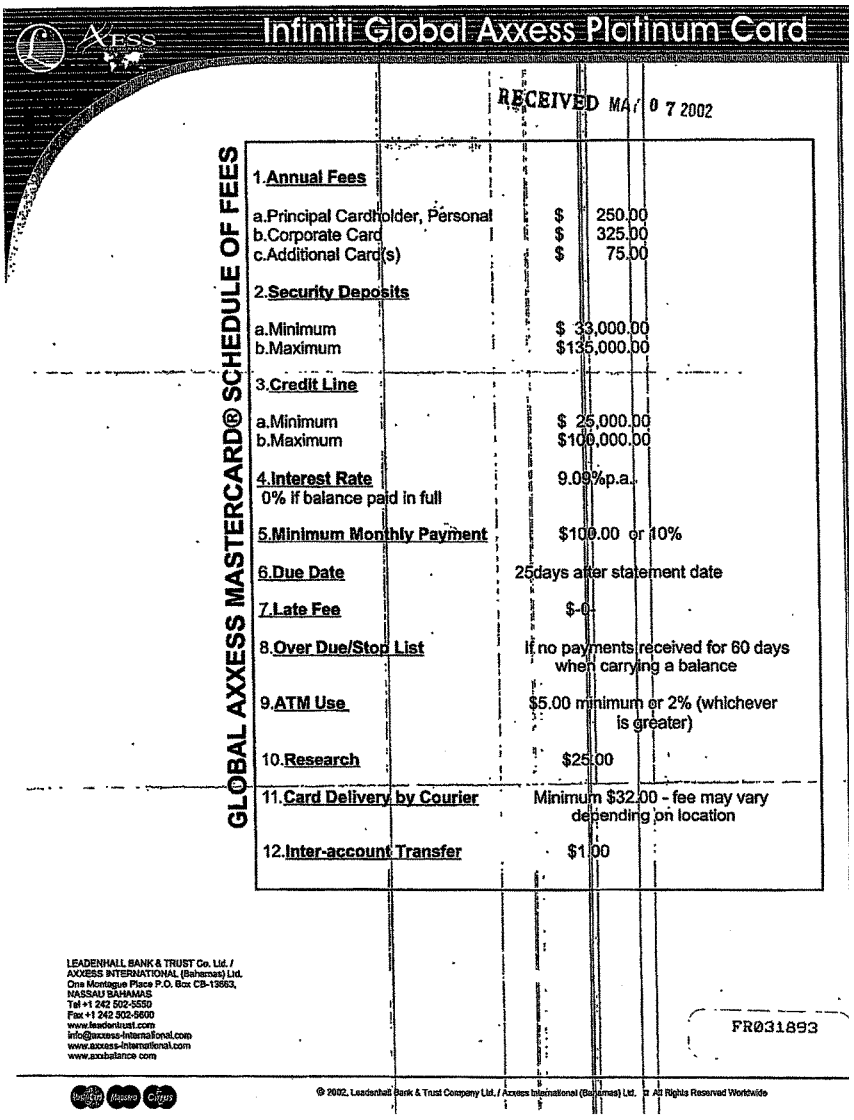
4. The amount of any Card Transaction in a Currency other than United States dollars shall be converted at a rate of exchange determined by LTC for the date when the Card Transaction is debited to the Card Account.

5. (i) LTC will normally send a monthly statement to the Principal Cardholder who shall pay the amounts shown in the statement to be due to LTC. The Principal Cardholder shall also pay immediately any outstanding excess over the Credit Limit, any arrears of previous payments and the amount of any Card Transaction made in breach of the terms of this Agreement. If LTC does not receive the minimum payment when due, the card account will be debited a late charge as per the SCHEDULE OF FEES attached hereto and as amended from time to time.

(ii) Subject to any limitation imposed by statute, all amounts due under this Agreement shall be immediately payable in full on the commission of an act of bankruptcy by, or on the death of the Principal Cardholder or at LTC's discretion, if there is any breach of this agreement by a Cardholder.

(iii) The Principal Cardholder shall be liable and Authorised Users are equally liable for the loss or cost including legal and other incidental costs which LTC determines it has suffered as a result of any breach of this Agreement by a Cardholder.

(iv) Any payment to LTC shall only take effect when received at the address notified by LTC and credited to the Card Account once confirmed value has been received. If the Principal Cardholder causes to be remitted to LTC any cheques or drafts that are not honoured for their full amount, for each cheque or draft, LTC may charge a fee to cover collection costs, except as provided by applicable law. LTC reserves the right to collect charges in addition to the debit balance, specifically for researching and producing documents, in such a case, the Cardholder shall be notified of the costs relating to his/her request.



Infiniti Global Axxess Platinum Card

RECEIVED MAY 07 2002

GLOBAL AXXESS MASTERCARD® SCHEDULE OF FEES

1.Annual Fees	
a.Principal Cardholder, Personal	$ 250.00
b.Corporate Card	$ 325.00
c.Additional Card(s)	$ 75.00
2.Security Deposits	
a.Minimum	$ 33,000.00
b.Maximum	$135,000.00
3.Credit Line	
a.Minimum	$ 25,000.00
b.Maximum	$100,000.00
4.Interest Rate	9.09%p.a.
0% if balance paid in full	
5.Minimum Monthly Payment	$100.00 or 10%
6.Due Date	25days after statement date
7.Late Fee	$-0-
8.Over Due/Stop List	If no payments received for 60 days when carrying a balance
9.ATM Use	$5.00 minimum or 2% (whichever is greater)
10.Research	$25.00
11.Card Delivery by Courier	Minimum $32.00 - fee may vary depending on location
12.Inter-account Transfer	$1.00

LEADENHALL BANK & TRUST Co. Ltd. /
AXXESS INTERNATIONAL (Bahamas) Ltd.
One Montague Place P.O. Box CB-13663,
NASSAU BAHAMAS
Tel +1 242 502-5550
Fax +1 242 502-5600
www.leadenhall.com
info@axxess-international.com
www.axxess-international.com
www.axxbalance.com

FR031893

LEADENHALL
BANK & TRUST
COMPANY LIMITED

CONTACT US IMMEDIATELY BY PHONE OR FAX TO REPORT A LOST OR STOLEN CARD • tel +1 242 356 9555 • fax +1 242 356 9559

infiniti GLOBAL AXXESS Liberti GLOBAL AXXESS

GLOBAL AXXESS CARD CENTRE
1 NORFOLK HOUSE
P.O. BOX CB-13663
NASSAU, BAHAMAS

Account Number: [redacted]

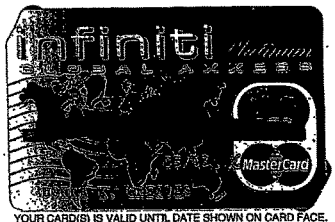
[redacted] = Redacted by the Permanent Subcommittee on Investigations

NEVIS AMERICAN TRUST CO., LTD.
PO BOX 679
CHARLESTOWN, NEVIS
WEST INDIES

Total Credit Line: $10,000
Cards Enclosed: (-1)
Valid Through: 10/02

MasterCard

PRESENTING YOUR GLOBAL AXXESS CARD



YOUR CARD(S) IS VALID UNTIL DATE SHOWN ON CARD FACE. CHECK THE EMBOSSED INFORMATION CAREFULLY.

PLEASE BE SURE TO SIGN ALL CARDS IMMEDIATELY

TO ADD ADDITIONAL CARDS, CONTACT US DIRECTLY.

PLEASE RETAIN THIS HANDY REFERENCE CARD

FOR CUSTOMER SEVICE OR TO REPORT A LOST OR STOLEN CARD CONTACT:

MasterCard

[redacted] 10/02

AXXESS INTERNATIONAL:
(242)356-9555
OR CALL CREDOMATIC:
(305)372-3015
TOLL FREE 1-800-458-2733

FR031894

= Redacted by the Permanent Subcommittee on Investigations

GLOBAL AXXESS CARD CENTRE

**** RENEWAL ****

DEAR CARDHOLDER,

KINDLY ACKNOWLEDGE RECEIPT OF YOUR MASTERCARD GOLD BY SIGNING BELOW

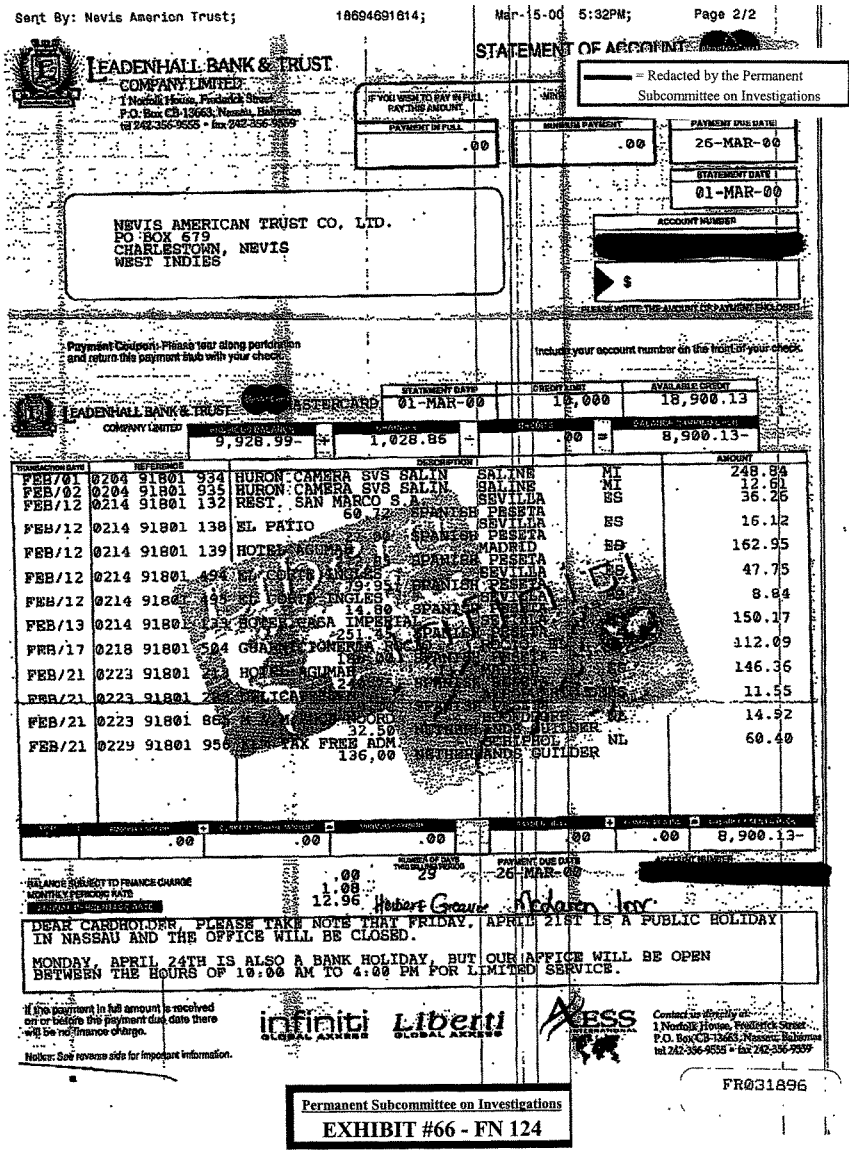
* ACCOUNT *	* CARDS *
[redacted]	(1)

PRINCIPAL CARDHOLDER NEVIS AMERICAN TRUST CO, LTD.

CUSTOMER SIGNATURE _____ DATE _____

WITNESSED BY _____

FR031895



Sent By: Nevis Amerion Trust; 18694691814; Mar-15-00 5:32PM; Page 2/2

LEADENHALL BANK & TRUST COMPANY LIMITED
1 Norfolk House, Frederick Street
P.O. Box CB-13663, Nassau, Bahamas
tel 242-356-9555 • fax 242-356-9559

STATEMENT OF ACCOUNT

[redacted] = Redacted by the Permanent Subcommittee on Investigations

IF YOU WISH TO PAY IN FULL PAY THIS AMOUNT
PAYMENT IN FULL: .00
MINIMUM PAYMENT: .00
PAYMENT DUE DATE: 26-MAR-00
STATEMENT DATE: 01-MAR-00
ACCOUNT NUMBER: [redacted]

NEVIS AMERICAN TRUST CO. LTD.
PO BOX 679
CHARLESTOWN, NEVIS
WEST INDIES

$

PLEASE WRITE THE AMOUNT OF PAYMENT ENCLOSED

Payment Coupon- Please tear along perforation and return this payment stub with your check.

Include your account number on the front of your check.

LEADENHALL BANK & TRUST COMPANY LIMITED [redacted] MASTERCARD

STATEMENT DATE	CREDIT LIMIT	AVAILABLE CREDIT
01-MAR-00	10,000	18,900.13

PREVIOUS BALANCE		PAYMENTS		CHARGES		BALANCE		BALANCE TRANSFERRED
9,928.99-	+	1,028.86	-	.00	=	8,900.13-		

TRANSACTION DATE	REFERENCE	DESCRIPTION			AMOUNT
FEB/01	0204 91801 934	HURON CAMERA SVS SALIN	SALINE	MI	248.94
FEB/02	0204 91801 935	HURON CAMERA SVS SALIN	SALINE	MI	12.61
FEB/12	0214 91801 132	REST. SAN MARCO S.A.	SEVILLA	ES	36.26
		60.12 SPANISH PESETA			
FEB/12	0214 91801 138	EL PATIO	SEVILLA	ES	16.12
		26.80 SPANISH PESETA			
FEB/12	0214 91801 139	HOTEL AGUMAR	MADRID	ES	162.95
		270.85 SPANISH PESETA			
FEB/12	0214 91801 494	EL CORTE INGLES	SEVILLA	ES	47.75
		79.95 SPANISH PESETA			
FEB/12	0214 91801 494	EL CORTE INGLES	SEVILLA	ES	8.84
		14.80 SPANISH PESETA			
FEB/13	0214 91801 133	HOTEL [illegible] IMPERIAL	[illegible]	[illegible]	150.17
		251.35 SPANISH PESETA			
FEB/17	0218 91801 504	GUARDIA PIONERA [illegible]	[illegible]	[illegible]	112.09
		188.00 SPANISH PESETA			
FEB/21	0223 91801 [illegible]	HOTEL AGUMAR	[illegible]	[illegible]	146.36
		244.85 SPANISH PESETA			
FEB/21	0223 91801 [illegible]	PUBLICA [illegible]	[illegible]	[illegible]	11.55
		19.35 SPANISH PESETA			
FEB/21	0223 91801 [illegible]	[illegible] CORD	[illegible]	[illegible]	14.92
		32.50 NETHERLANDS GUILDER			
FEB/21	0229 91801 956	TAX FREE ADM	SCHIPHOL	NL	60.40
		136,00 NETHERLANDS GUILDER			

.00	.00	.00	.00	.00	8,900.13-

BALANCE SUBJECT TO FINANCE CHARGE
MONTHLY PERIODIC RATE
ANNUAL PERCENTAGE RATE

NUMBER OF DAYS THIS BILLING PERIOD	PAYMENT DUE DATE
29	26-MAR-00

.00
1.08
12.96

Herbert Grouse Roberta Ivy

DEAR CARDHOLDER, PLEASE TAKE NOTE THAT FRIDAY, APRIL 21ST IS A PUBLIC HOLIDAY IN NASSAU AND THE OFFICE WILL BE CLOSED.

MONDAY, APRIL 24TH IS ALSO A BANK HOLIDAY, BUT OUR APPICE WILL BE OPEN BETWEEN THE HOURS OF 10:00 AM TO 4:00 PM FOR LIMITED SERVICE.

If the payment in full amount is received on or before the payment due date there will be no finance charge.

Notice: See reverse side for important information.

infiniti GLOBAL AXESS Liberty GLOBAL AXESS BSS

Contact us directly at:
1 Norfolk House, Frederick Street
P.O. Box CB-13663, Nassau, Bahamas
tel 242-356-9555 • fax 242-356-9559

FR031896

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 124

= Redacted by the Permanent Subcommittee on Investigations

Sent By: Nevis American Trust; 18694691614; Jun-14-

Bal. 277,186 28

STATEMENT OF ACCOUNT

LEADENHALL BANK & TRUST COMPANY LIMITED

PAYMENT IN FULL	MINIMUM PAYMENT	PAYMENT DUE DATE
.00	.00	26-JUN-00

STATEMENT DATE: 01-JUN-00

ACCOUNT NUMBER: [redacted]

$

NEVIS AMERICAN TRUST CO, LTD.
PO BOX 679
CHARLESTOWN, NEVIS
WEST INDIES

LEADENHALL BANK & TRUST COMPANY LIMITED — MASTERCARD

STATEMENT DATE	CREDIT LIMIT	AVAILABLE CREDIT
01-JUN-00	10,000	10,690.89

PREVIOUS BALANCE	PURCHASES	CREDITS	BALANCE CARRIED OVER
2,357.23-	16,666.34	15,000.00	690.89-

TRANSACTION DATE	REFERENCE	DESCRIPTION		AMOUNT
MAY/01	0502 91801 762	DOLLAR RENT A CAR	COLLEGE PARK GA	197.52
MAY/01	0502 91801 037	MARIETTA CONF CEN	MARIETTA GA	670.03
MAY/03	0506 91801 555	APCWS INC	HAGERSTOWN MD	550.00
MAY/13	0517 91801 729	THE RITZ CARLTON	DEARBORN MI	248.79
MAY/16	0516 35735 043	RECEIVED PAYMENT		15,000.00-
MAY/23	0523 35735 046	Reversed		15,000.00

BALANCE 0482 54

LATE

PURCHASES	CASH ADVANCES	CREDITS/PAYMENTS	ADJUSTMENT	PAYMENTS DUE	FINANCE CHARGES	BALANCE CARRIED OVER
.00	.00	.00	.00	.00	.00	690.89-

.00
1.98
12.98

NUMBER OF DAYS IN BILLING PERIOD: 31

PAYMENT DUE DATE: 26-JUN-00

[redacted]

DEAR CARDHOLDERS, PLEASE BE ADVISED THAT MONDAY JULY 10TH IS A PUBLIC HOLIDAY IN NASSAU. WE WILL BE OPENED FOR LIMITED SERVICE.

Herbert Greaves - McLaren Investments

If the payment in full amount is received on or before this payment due date there will be no finance charge.

infiniti Liberti XESS

FR031897

▬▬ = Redacted by the Permanent Subcommittee on Investigations

SENT BY: NATCO; 00; JUL-11-0

STATEMENT OF ACCOUNT MasterCard

LEADENHALL BANK & TRUST COMPANY LIMITED
1 Norfolk House, Frederick Street
P.O. Box CB-13663, Nassau, Bahamas
tel +1 242-356-7555 • fax +1 242-356-7559

IF YOU WISH TO PAY IN FULL PAY THIS AMOUNT — PAYMENT IN FULL	MINIMUM PAYMENT REQUIRED — MINIMUM PAYMENT	PLEASE PAY BY THIS DATE — PAYMENT DUE DATE
270.54	100.00	26-JUL-00

STATEMENT DATE: 01-JUL-00

NEVIS AMERICAN TRUST CO, LTD.
PO BOX 679
CHARLESTOWN, NEVIS
WEST INDIES

ACCOUNT NUMBER: [redacted]

$

PLEASE WRITE THE AMOUNT OF PAYMENT ENCLOSED

Payment Coupon: Please tear along perforation and return this payment stub with your check.

Include your account number on the front of your check.

LEADENHALL BANK & TRUST COMPANY LIMITED — MASTERCARD

STATEMENT DATE	CREDIT LIMIT	AVAILABLE CREDIT
01-JUL-00	10,000	9,729.46

PREVIOUS BALANCE	+ CHARGES	− CREDITS	= BALANCE CARRIED OVER
690.89-	961.43	.00	270.54

TRANSACTION DATE	REFERENCE	DESCRIPTION		AMOUNT
JUN/08	0510 91801 851	HORSE COUNTRY*	WARRENTON VA	498.35
JUN/18	0620 91801 919	HAMPTON INN	BOW NH	134.95
JUN/19	0620 91801 975	WEST POINT MOTEL	HIGHALND FALLNY	71.44
JUN/19	0627 91801 170	HERTZ RENT-A-CAR	MANCHESTER NH	256.69

PAYMENTS	AMOUNT PAST DUE	+ CURRENT MONTH PAYMENT	= MINIMUM PAYMENT DUE	PAYMENT IN FULL	+ FINANCE CHARGE	= BALANCE CARRIED OVER
	.00	100.00	100.00	270.54	.00	270.54

NUMBER OF DAYS THIS BILLING PERIOD: 30 — PAYMENT DUE DATE: 26-JUL-00 — ACCOUNT NUMBER: [redacted]

BALANCE SUBJECT TO FINANCE CHARGE .00
MONTHLY PERIODIC RATE 1.08
ANNUAL PERCENTAGE RATE 12.96

DEAR CARDHOLDERS, PLEASE BE ADVISED THAT MONDAY JULY 10TH IS A PUBLIC HOLIDAY IN NASSAU. WE WILL BE OPENED FOR LIMITED SERVICE.

Herbert Greaves - McLaren Investments.

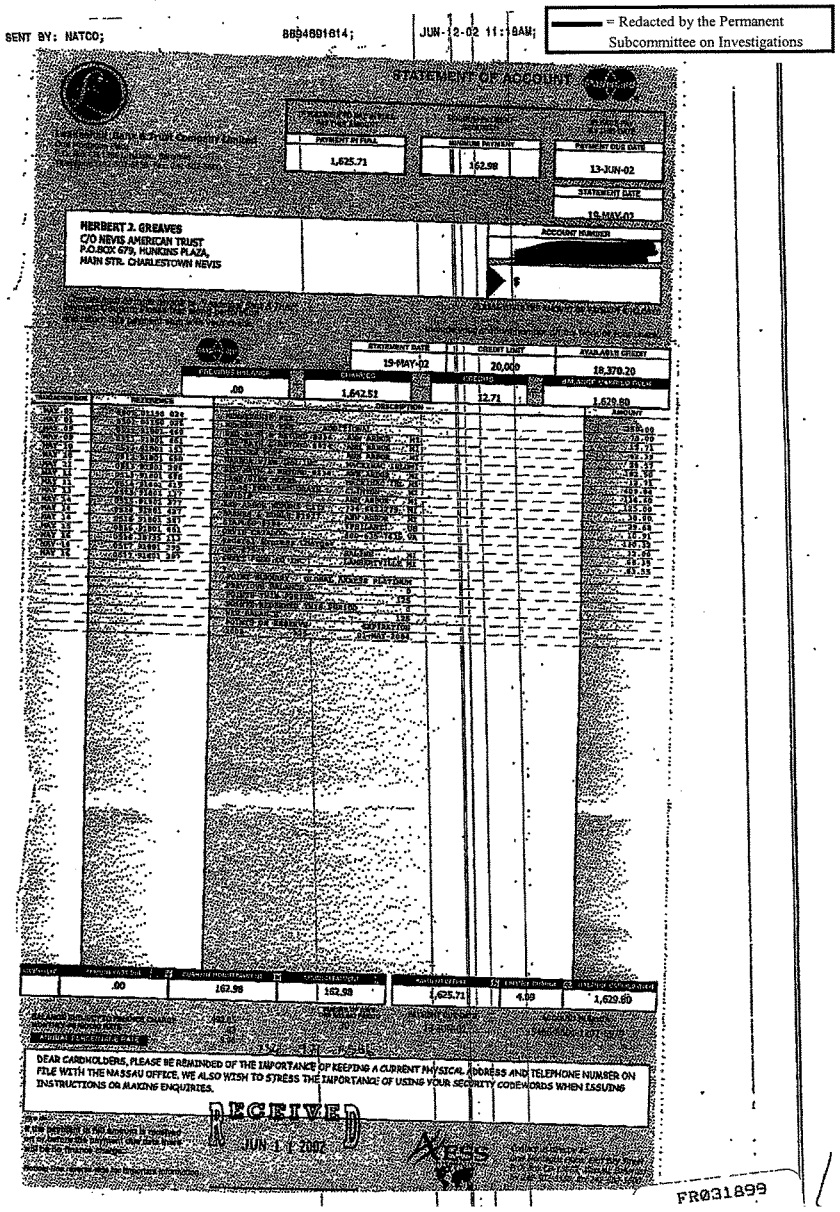
If the payment in full amount is received on or before the payment due date there will be no finance charge.

Notice: See reverse side for important information.

infiniti GLOBAL ACCESS — Liberti GLOBAL ACCESS — AXESS INTERNATIONAL

If you have any questions about this statement, please contact us direct at: Axess International tel +1 242-356-5555 • fax +1 242-356-5559

FR031898



SENT BY: NATCO; 8894891614; JUN-12-02 11:18AM;

= Redacted by the Permanent Subcommittee on Investigations

STATEMENT OF ACCOUNT

1,625.71 | 162.98 | 13-JUN-02

19-MAY-02

HERBERT J. GREAVES
C/O NEVIS AMERICAN TRUST
P.O.BOX 679, HUNKINS PLAZA,
MAIN STR. CHARLESTOWN NEVIS

ACCOUNT NUMBER

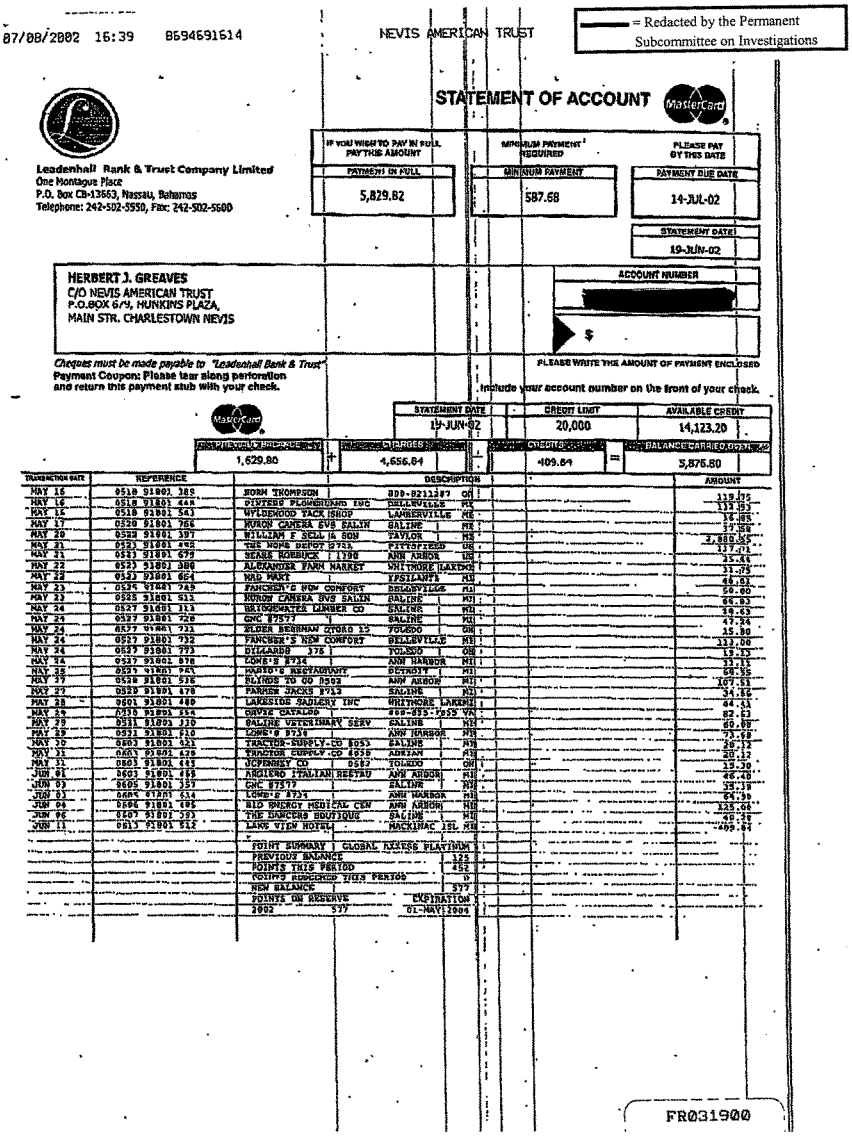
19-MAY-02		20,000		18,370.20
.00	1,642.51		12.71	1,629.80

.00	162.98	162.98	1,625.71	4.09	1,629.80	

DEAR CARDHOLDERS, PLEASE BE REMINDED OF THE IMPORTANCE OF KEEPING A CURRENT PHYSICAL ADDRESS AND TELEPHONE NUMBER ON FILE WITH THE NASSAU OFFICE. WE ALSO WISH TO STRESS THE IMPORTANCE OF USING YOUR SECURITY CODEWORDS WHEN ISSUING INSTRUCTIONS OR MAKING ENQUIRIES.

RECEIVED JUN 17 2002

FR031899



= Redacted by the Permanent Subcommittee on Investigations

07/08/2002 16:39 8594691614 NEVIS AMERICAN TRUST

STATEMENT OF ACCOUNT

Leadenhall Bank & Trust Company Limited
One Montague Place
P.O. Box CB-13663, Nassau, Bahamas
Telephone: 242-502-5550, Fax: 242-502-5600

IF YOU WISH TO PAY IN FULL PAY THIS AMOUNT	MINIMUM PAYMENT REQUIRED	PLEASE PAY BY THIS DATE
PAYMENT IN FULL	MINIMUM PAYMENT	PAYMENT DUE DATE
5,829.82	587.68	14-JUL-02

STATEMENT DATE: 19-JUN-02

HERBERT J. GREAVES
C/O NEVIS AMERICAN TRUST
P.O.BOX 6/9, HUNKINS PLAZA,
MAIN STR. CHARLESTOWN NEVIS

ACCOUNT NUMBER: [redacted]

$ PLEASE WRITE THE AMOUNT OF PAYMENT ENCLOSED

Cheques must be made payable to "Leadenhall Bank & Trust"
Payment Coupon: Please tear along perforation and return this payment stub with your check.

Include your account number on the front of your check.

STATEMENT DATE	CREDIT LIMIT	AVAILABLE CREDIT
19-JUN-02	20,000	14,123.20

PREVIOUS BALANCE	+	CHARGES	-	CREDITS	=	BALANCE CARRIED FORWARD
1,629.80	+	4,656.84	-	409.84	=	5,876.80

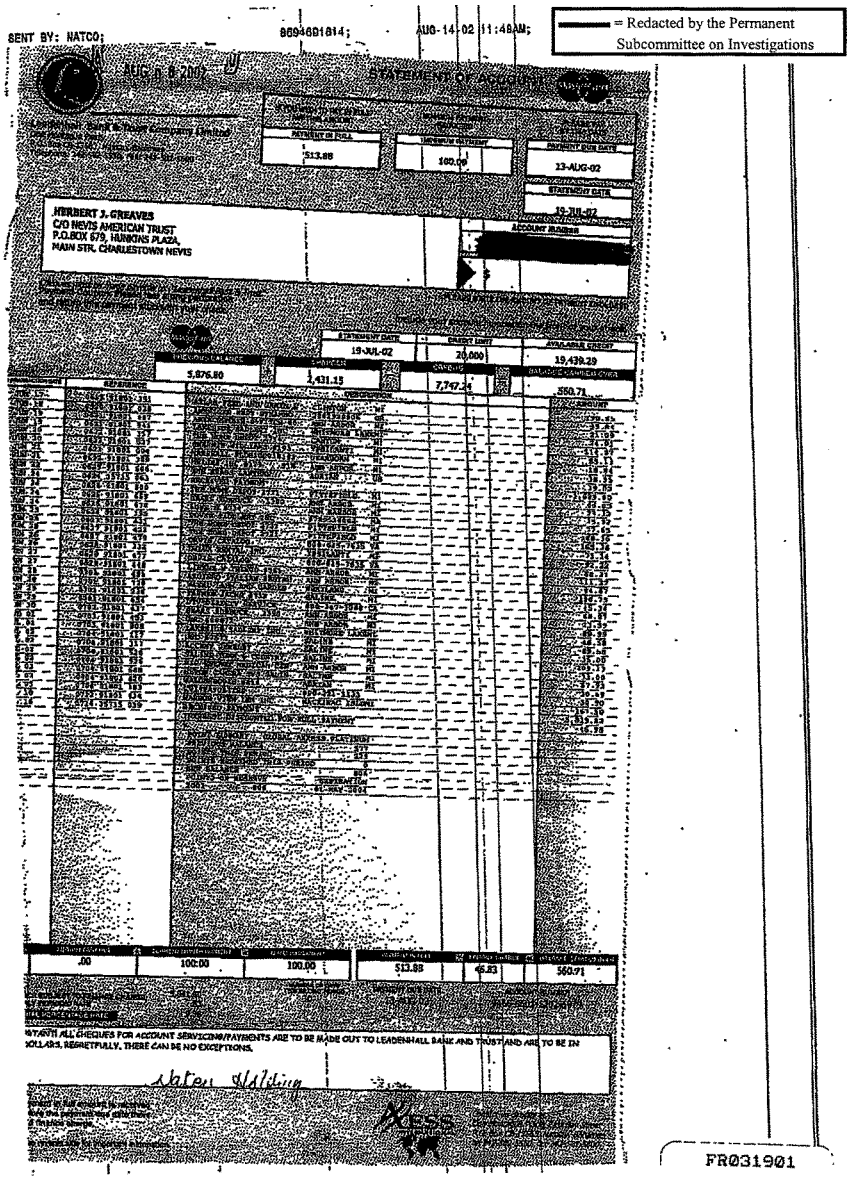
TRANSACTION DATE	REFERENCE	DESCRIPTION			AMOUNT
MAY 16	0518 91801 385	NORM THOMPSON	888-8211287	OH	119.05
MAY 16	0518 91801 44A	PINTERS PLUMBRUMS INC	BELLEVILLE	MI	133.85
MAY 16	0518 91801 543	WYLDEWOOD TACK SHOP	LAMBERVILLE	MI	16.85
MAY 17	0520 91801 7BE	HURON CAMERA SVS SALIN	SALINE	MI	37.98
MAY 20	0522 91801 397	WILLIAM F BEALS SON	TAYLOR	MI	2,880.55
MAY 21	0523 91801 442	THE HOME DEPOT 2721	FITZGERALD	GA	127.71
MAY 21	0523 91801 679	SEARS ROEBUCK 1398	ANN ARBOR	MI	25.44
MAY 22	0523 91801 3B0	ALEXANDER FARM MARKET	WHITMORE LAKE	MI	31.75
MAY 22	0523 91801 6C4	WAL MART	YPSILANTI	MI	46.61
MAY 23	0524 91801 7A9	FANCHER'S HOM COMFORT	DEARBORVILLE	MI	59.00
MAY 23	0525 91801 513	HURON CAMERA SVS SALIN	SALINE	MI	66.83
MAY 24	0527 91801 313	BRIDGEWATER LUMBER CO	SALINE	MI	10.63
MAY 24	0527 91801 7C9	GMC #7577	SALINE	MI	47.24
MAY 24	0527 91801 721	ELDER BEERMAN STORE 12	TOLEDO	OH	15.80
MAY 24	0527 91801 732	FANCHER'S HOM COMFORT	BELLEVILLE	MI	133.00
MAY 24	0527 91801 773	DILLARDS 378	TOLEDO	OH	19.15
MAY 24	0527 91801 B78	LOWE'S #934	ANN HARBOR	MI	33.15
MAY 25	0527 91801 9A5	MARIO'S RESTAURANT	DETROIT	MI	58.55
MAY 27	0528 91801 536	BLINDS TO GO 8502	ANN ARBOR	MI	107.51
MAY 27	0528 91801 178	PARKER DACKS 8713	SALINE	MI	34.86
MAY 28	0601 91801 4E0	LAKESIDE SADLERY INC	WHITMORE LAKE	MI	64.11
MAY 29	0530 91801 354	ORVIS CATALOG	800-333-7555	VA	82.63
MAY 29	0531 91801 J10	SALINE VETERINARY SERV	SALINE	MI	60.00
MAY 29	0531 91801 F10	LOWE'S #934	ANN HARBOR	MI	73.68
MAY 30	0603 91801 521	TRACTOR SUPPLY CO 8053	SALINE	MI	26.72
MAY 31	0601 91801 4Z8	TRACTOR SUPPLY CO 8056	ADRIAN	MI	20.12
MAY 31	0603 91801 443	JCPENNEY CO 0587	TOLEDO	OH	19.70
JUN 01	0601 91801 4S8	ARCIERO ITALIAN RESTAU	ANN ARBOR	MI	46.40
JUN 03	0605 91801 257	GMC #7577	SALINE	MI	39.19
JUN 03	0605 91801 514	LOWE'S #934	ANN HARBOR	MI	64.36
JUN 04	0606 91801 495	BIO ENERGY MEDICAL CEN	ANN ARBOR	MI	325.00
JUN 06	0607 91801 3D3	THE RANCHER BOUTIQUE	SALINE	MI	48.00
JUN 11	0613 91801 512	LAKE VIEW HOTEL	MACKINAC ISL	MI	409.84

POINT SUMMARY	GLOBAL ACCESS PLATINUM
PREVIOUS BALANCE	122
POINTS THIS PERIOD	455
POINTS REDEEMED THIS PERIOD	0
NEW BALANCE	577

POINTS ON RESERVE	EXPIRATION
2002 577	01-MAY-2006

FR031900

= Redacted by the Permanent Subcommittee on Investigations



Hebert Greaves
6925 Arkona Road
Saline
MI 48176

Dear Herb,

The offshore banking world has become more complex as a result of the "unfair tax competition" petitions launched by the OECD and the formation of a "black list." President Bush finally withdrew U.S. support for this Clinton sponsored program but it did not happen until after thousands of banking relationships had been interrupted.

The Financial Action Task Force ("FATF") generated a separate "black list" of countries, which caused the withdrawal of U.S. correspondent's from supporting banks in 36 countries around the world. In June of 2002 St Kitts & Nevis were removed from the U.S. sponsored "black list."

Now, the so-called "Patriot Act" is interrupting offshore banking activities. A sample paragraph from a letter from SKNA Bank (the largest commercial bank in the West Indies) points out this problem: "We advise that as a result of the stringent requirements imposed by our USA correspondent banks and other banking partners, and in particular the requirements of the USA Patriot Act passed by the United States Government, our Bank has been forced to discontinue providing banking services to offshore companies."

As a result of the above, Nevis American Trust has moved your account as set forth below.

U.S. Department of Justice

Kenneth L. Wainstein
United States Attorney

District of Columbia

Judiciary Center
555 Fourth St., N.W.
Washington, D.C. 20530

September 8, 2006

Michelle M. Peterson, Esq.
Assistant Federal Public Defender
625 Indiana Avenue, N.W., Suite 550
Washington, D.C. 20004

Steven E. Fagell, Esq.
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Re: United States v. Walter Anderson 05-66 (PLF)

Dear Ms. Peterson and Mr. Fagell:

This letter sets forth the full and complete plea offer to your client, Walter C. Anderson. This offer is by the Criminal Division of the United States Attorney's Office for the District of Columbia and the Tax Division of the U.S. Department of Justice (the "Offices") and is binding upon both. Upon receipt, the executed letter will itself become the plea agreement. The terms of the offer are as follows:

1. **Charges:** Pursuant to Fed. R. Crim. P. 11(c)(1)(C), Mr. Anderson agrees to waive his right to a trial and to plead guilty to Counts V (Tax Evasion for 1998), VI (Tax Evasion for 1999) and XI (D.C. Fraud for 1999) of the Indictment. It is understood that the guilty plea will be based on a factual admission of guilt to the offenses charged and will be entered in accordance with Rule 11 of the Federal Rules of Criminal Procedure.

2. **Penalties and assessments:** Pursuant to Fed. R. Crim. P. 11(c)(1)(C), the United States and Mr. Anderson agree that the maximum term of imprisonment will be ten years. Mr. Anderson agrees that the court shall sentence Mr. Anderson after a consideration of the factors contained in 18 U.S.C. §3553(a), and the court is obligated to calculate and consider, but is not bound by, the United States Sentencing Guidelines (2001). Mr. Anderson agrees that for purposes of the calculation of a guideline sentence the tax loss in this matter exceeds $100 million, and that the offense involved sophisticated means. The government agrees that Mr. Anderson is entitled to a three level reduction for acceptance of responsibility. Mr. Anderson also agrees to pay the special assessment of $200 within ten (10) days of sentencing by cashier's

check or certified check made payable to Clerk, United States District Court for the District of Columbia.

3. **Waiver of Rights:** Federal Rule of Criminal Procedure 11(f) and Federal Rule of Evidence 410 limit the admissibility of statements made in the course of plea proceedings or plea discussions in both civil and criminal proceedings, if the guilty plea is later withdrawn. Mr. Anderson expressly warrants that he has discussed these rules with his counsel and understands them. Mr. Anderson voluntarily waives and gives up the rights enumerated in Federal Rule of Criminal Procedure 11(f) and Federal Rule of Evidence 410. Mr. Anderson understands and agrees that any statements that he makes in the course of its guilty plea or in connection with this plea agreement are admissible against Mr. Anderson for any purpose in any criminal or civil proceeding, if the guilty plea is subsequently withdrawn.

Mr. Anderson waives all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date that this agreement is signed in the event that (1) Mr. Anderson's conviction is later vacated for any reason or (2) Mr. Anderson violates this agreement. Mr. Anderson agrees that with respect to all charges referred to in the indictment, he is not a "prevailing party" withing the meaning of the "Hyde Amendments," Section 617, P.L. 105-119 (Nov. 26, 1997), and will not file any claim under that law. Mr. Anderson further agrees not to file any claims under that law or claims of any other type against the Department of Justice, or any components of the Department, including the U.S. Attorney's Office, or against the Treasury Department or any components of the department, including the Internal Revenue Service, or against any personnel of those departments and component offices or agencies, based on the conduct during the investigation and prosecution of this case.

4. **Restitution:** Mr. Anderson agrees that the court may order restitution pursuant to 18 U.S.C. § 3572 and 16 D.C. Code § 711.

5. **Court is Not Bound:** Mr. Anderson understands that this plea offer is contingent upon acceptance by the Court. If the Court refuses to accept any provision of this plea agreement, neither party shall be bound by the provisions of the agreement, and Mr. Anderson shall have the right to withdraw its plea pursuant to Fed. R. Crim. P. 11(c)(5).

6. **Breach of Agreement:** Mr. Anderson agrees that if he fails to comply with any of the provisions of this plea agreement, makes false or misleading statements before the Court, commits any further crimes, or attempts to withdraw the plea, the United States will have the right to characterize such conduct as a breach of this plea agreement. In the event of such a breach, (a) the United States will be free from its obligations under the agreement and may take whatever position it believes appropriate as to the sentence (for example, should your client commit any conduct after the date of this agreement – examples of which include but are not limited to, obstruction of justice and false statements to law enforcement agents, the probation office or the Court – the government is free under this agreement to seek an increase in sentencing based on that post-agreement conduct); (b) Mr. Anderson will not have the right to

withdraw the guilty plea; (c) Mr. Anderson shall be fully subject to criminal prosecution for any other crimes which it has committed or might commit, if any, including perjury and obstruction of justice; and (d) the United States will be free to use against Mr. Anderson, directly and indirectly, in any criminal or civil proceeding any of the information or materials provided by it pursuant to this agreement.

In the event of such breach, any such prosecutions of Mr. Anderson not time-barred by the applicable statute of limitations on the date of the signing of this agreement may be commenced against him in accordance with this paragraph, notwithstanding the running of the applicable statute of limitations in the interval between now and the commencement of such prosecutions. Mr. Anderson knowingly and voluntarily agrees to waive any and all defenses based on the statute of limitations for any prosecutions commenced pursuant to the provisions of this paragraph.

7. **Complete Agreement**: No other agreements, promises, understandings, or representations have been made by the parties or their counsel than those contained in writing herein, nor will any such agreements, promises, understandings, or representations be made unless committed to writing and signed by Mr. Anderson, the United States Attorney for the District of Columbia, and the Department of Justice, Tax Division.

This agreement does not bind any federal, state, or local prosecuting authority other than the Offices, and does not prohibit the Offices from initiating or prosecuting any civil or administrative proceedings directly or indirectly involving Mr. Anderson, including, but not limited to, proceedings by the Internal Revenue Service or the District of Columbia Office of Tax and Revenue relating to potential civil tax liability.

If the foregoing terms and conditions are satisfactory, Mr. Anderson may indicate his assent by signing the agreement in the space indicated below and returning the original to the United States Attorney's Office for the District of Columbia once it has been signed by Mr. Anderson and his counsel.

Date: 9/8/06

KENNETH L. WAINSTEIN
UNITED STATES ATTORNEY

Date: 9/8/06

SUSAN B. MENZER
ASSISTANT U.S. ATTORNEY
Fraud & Public Corruption Section
555 Fourth Street, N.W.
Washington, D.C. 20530
(202) 514-6869

Date: 9/8/06

KAREN E. KELLY
TRIAL ATTORNEY
U.S. Department of Justice
Tax Division, Criminal Enforcement Section
601 D Street, N.W.
Washington, D.C. 20530

Date: 9/8/06

WALTER C. ANDERSON
DEFENDANT

On behalf of Mr. Anderson , I have read this plea agreement and have discussed it with him. Mr. Anderson does this voluntarily of his own free will, intending to be legally bound. No threats have been made to Mr. Anderson and he is pleading guilty because Mr. Anderson is in fact guilty of the offenses identified in paragraph one.

Date: 9/8/06

MICHELLE M. PETERSON
Counsel for Walter C. Anderson

Date: 9/8/06

STEVEN A. FAGELL
Counsel for Walter C. Anderson

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Holding a Criminal Term
Grand Jury Sworn in on October 31, 2003

UNITED STATES OF AMERICA	:	Criminal No. 05-66
	:	
	:	Grand Jury Original
v.	:	
	:	Violations:
WALTER ANDERSON,	:	26 U.S.C. § 7212(a) (Corruptly
	:	Obstructing, Impeding, and
a/k/a	:	Impairing the Due Administration
Mark Roth,	:	of the Internal Revenue Laws);
	:	26 U.S.C. § 7201 (Tax Evasion);
Defendant.	:	22 D.C. Code § 3221(a)
	:	(Fraud in the First Degree).

FRIEDMAN, J. PLF

SUPERSEDING INDICTMENT

FILED IN OPEN COURT

SEP 30 2005

CLERK, U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

B

The Grand Jury charges:

At all times relevant to the Indictment:

INTRODUCTION

1. Defendant, WALTER ANDERSON ("ANDERSON"), was a citizen of the United States and a resident of the District of Columbia;

2. According to the revenue laws of the United States, citizens of the United States were obligated to pay taxes on their worldwide income.

3. According to the laws of the United States, citizens of the United States who controlled a foreign corporation were required to pay income taxes on certain income of the foreign corporation. Generally, United States citizen owners of the foreign corporation were subject to tax on investment type income of the foreign corporation.

4. The British Virgin Islands ("BVI"), Jersey Channel Islands ("Jersey"), and the Republic

SUPERSEDING

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 129

of Panama ("Panama"), among others, were foreign countries that were commonly referred to as "tax havens" because these countries afforded greater bank and commercial secrecy than other countries, including the United States.

5. In these tax haven countries, corporate service companies existed to incorporate International Business Corporations ("IBCs"). Under the laws of these tax haven countries, IBCs were not required to pay taxes to the tax haven on income earned outside the borders of the tax haven.

6. In addition to filing required documentation with the tax haven governments, the corporate service company could provide additional services for a fee. These services included acting as the registered agent and a nominee director for the IBC. The nominee director was the publicly registered director of the IBC and the only individual whose name appeared in the public record associated with the IBC. It was understood that the nominee director acted at the sole direction of the actual owner of the IBC, and did not actually get involved in the day to day management of the IBC.

7. Under the laws of these foreign tax haven countries, corporate service companies were not required to disclose the identity of the beneficial owner or the person who actually benefitted from the IBC. Moreover, they were often prohibited from such disclosures.

8. The Internal Revenue Service ("IRS"), an agency within the United States Department of the Treasury, was responsible for administering the federal revenue laws and regulations regarding the ascertainment, computation, assessment, and collection of income taxes owed to the United States. In particular, the IRS was responsible for administering, maintaining and reviewing, among other forms, the Form TD-F 90-22.1 ("Form TD-F").

The Form TD-F was a one page form, entitled Report of Foreign Bank and Financial Accounts, on which a taxpayer was required to disclose foreign financial accounts with a combined balance of more than $10,000 during any time in the tax year. Any United States citizen with signatory authority or any financial interest in foreign financial accounts with a combined balance of more than $10,000 was obligated to file the Form TD-F by June 30 of the following calendar year. The government relied on these forms to monitor offshore financial transactions and ensure compliance with United States laws.

9. Since 1962, the United States revenue laws specifically addressed the tax treatment of foreign corporations, such as IBCs. Generally, United States citizens who were shareholders of an entity known as a controlled foreign corporation ("CFC") were required to report foreign investment income and other kinds of foreign source business income on their United States Individual Income Tax Returns.

10. A CFC was a foreign corporation in which more than 50% of its shares were owned by United States shareholders. A United States shareholder was a United States citizen who owned, either directly, indirectly or constructively, 10% or more of the CFC's voting stock. The United States shareholder was required to report his or her share of the CFC's investment type income on his United States Individual Income Tax Return. Such income included interest, dividends and gains or losses on stock transactions and was commonly referred to as Subpart F Income.

11. A United States shareholder of a CFC was required to inform the IRS of a relationship with the CFC by filing a Form 5471, entitled Information Return of United States Persons with Respect to Certain Foreign Corporations. In addition, a Form 926, entitled Return

by a United States Transferor of Property to a Foreign Corporation, was required to be filed by a United States citizen who transferred certain property to foreign corporations.

12. On or about September 6, 1992, ANDERSON hired Arias, Fabrega & Fabrega Trust Company ("Arias Fabrega"), a corporate service company located in the BVI, to form Gold & Appel Transfer, S.A. ("G&A"). According to the incorporating documents, 1,000 shares were authorized for issuance. Thereafter, Anderson specifically directed Arias Fabrega to use a pre-existing "shelf" corporation to form G&A, an IBC, and to issue only 10 shares of G&A stock. At ANDERSON's direction, the stock was issued to Icomnet S.A., another IBC previously formed by ANDERSON in the BVI. ANDERSON granted himself an exclusive option to purchase the remaining 990 shares of G&A for a total of $990.

13. On or about September 23, 1993, ANDERSON, using the alias Mark Roth, hired another corporate service company, The Company Store, to form Iceberg Transport, S.A. ("Iceberg") in Panama. Iceberg was an IBC. ANDERSON directed that Iceberg's stock be issued as bearer shares, which were an unregistered form of stock certificates that did not identify the owner. As its name implied, whoever had actual possession of the corporation's share certificates was deemed the owner of the stock. ANDERSON directed The Company Store to send Iceberg's bearer shares to a private mail box he controlled in the Netherlands. ANDERSON had possession of Iceberg's bearer shares in March 2002.

14. In or about November 1993, ANDERSON made Iceberg the owner of G&A by transferring Icomnet's 10 shares of G&A to Iceberg. ANDERSON continued to hold the

exclusive option to purchase the remaining 990 G&A shares. Thereafter, ANDERSON represented that Iceberg owned G&A.

15. ANDERSON attempted to disguise his ownership of G&A and Iceberg by, among other methods, using aliases, private mail boxes and nominee directors and officers, who took all direction from ANDERSON and exercised no discretion of their own. In reality, ANDERSON owned and controlled the affairs of these corporations, including having exclusive control over these corporations' officers, directors, business records, bank and brokerage accounts. ANDERSON directed all aspects of G&A and Iceberg through broadly drafted powers of attorney.

16. Beginning in or about October 1992, and continuing through in or about July 1996, ANDERSON transferred most of his personal holdings in three telecommunication companies, Mid-Atlantic Telecom ("MAT"), Esprit Telecom ("Esprit") and Telco Communications Group ("Telco"), to G&A and Iceberg for little or no consideration.

17. After these transfers, each of these telecommunication corporations became dramatically more valuable. Between 1995 and 1999, ANDERSON used the assets of G&A and Iceberg, which included the profits realized from these three telecommunication corporations, to invest in other business ventures. ANDERSON successfully generated more than approximately $450,000,000 in earnings for G&A and Iceberg during this period.

18. ANDERSON did not report these earnings, as was required by law, on his United States and District of Columbia Individual Income Tax returns for 1995 through 1999. As a result of this scheme, ANDERSON evaded more than $200,000,000 in federal and District of Columbia income taxes.

COUNT ONE
Corruptly Obstructing, Impeding, and Impairing the Due Administration of the Internal Revenue Laws

19. Paragraphs 1 through 18 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

20. From in or about January 1987 through in or about at least March 2002, in the District of Columbia and elsewhere, ANDERSON corruptly obstructed and impeded, and endeavored to obstruct and impede, the due administration of the internal revenue laws through various means, by committing, among others, the acts described in paragraphs 21 through 36.

21. ANDERSON did not timely file his 1987, 1988, 1989, 1990, 1991, 1992, and 1993 United States Individual Income Tax Returns with the IRS despite earning sufficient income to trigger his legal duty to file returns.

22. After repeated contacts by the IRS, ANDERSON filed delinquent returns for these years, but did not pay the taxes due and owing. ANDERSON also filed Amended 1988 and 1989 United States Individual Income Tax Returns and did not pay the amount of taxes he reported he owed. ANDERSON refused to cooperate with the IRS in its efforts to audit, assess and collect the taxes he owed for 1987 through 1993, and ANDERSON obstructed the efforts of the IRS to locate his income and assets.

23. In or about September 1992, ANDERSON created G&A and Iceberg in tax haven countries to conceal his assets from the IRS and obstruct efforts by the IRS to monitor his financial transactions. ANDERSON transferred his personal holdings in MAT, Telco and Esprit to G&A and Iceberg. ANDERSON concealed these transfers from his accountants. As a result, the accountants prepared, and ANDERSON filed, false United States

Individual Income Tax Returns and failed to file Forms 926 and 5471 with the IRS.

24. For the tax years 1992 through 1999, ANDERSON lied to his accountants about his ownership of G&A and Iceberg. As a result, the accountants prepared, and ANDERSON filed, false United States Individual Income Tax Returns for these years that falsely failed to include the net profits of G&A and Iceberg as income to ANDERSON.

25. In or about 1994, ANDERSON opened two bank accounts at Barclays Bank in Jersey. He opened one account in the name of G&A ("the G&A account"). He opened another in his own name ("the ANDERSON 1 account"). ANDERSON was the sole signatory on both accounts. In the bank application for the ANDERSON 1 account, ANDERSON falsely stated that he was a citizen of the Dominican Republic. In that application, ANDERSON provided a mailing address in the Netherlands.

26. On or about February 4, 1997, ANDERSON purchased a high-interest account at Barclays Bank in Jersey ("the ANDERSON 2 account") by transferring funds from the ANDERSON 1 account. He directed that account statements for the ANDERSON 2 account be sent to the Netherlands address.

27. For tax years 1994 through 1999, ANDERSON lied to his accountants about his control over these foreign bank accounts. As a result, the accountants prepared, and ANDERSON filed, false United States Individual Income Tax Returns for those years that falsely omitted the Schedule B information relating to foreign bank accounts, and ANDERSON failed to file Forms TD-F with the United States Department of the Treasury, disclosing his interest and control in any of these foreign bank accounts.

28. From on or about November 6, 1995 through on or about November 11, 1996, ANDERSON directed Esprit to deposit into the ANDERSON 1 account a total of $250,000 earned by him. ANDERSON concealed these payments from his accountants.

As a result, they prepared and ANDERSON filed false United States Individual Income Tax Returns that omitted this income.

29. When he was being audited by the IRS during the period in or about April 1998 through in or about September 1998, ANDERSON represented to accountant R.M. that the 1995 deductions he had claimed were for unreimbursed legal fees incurred in litigation. He failed to disclose to accountant R.M. that most of those legal fees had been reimbursed to ANDERSON in 1997. ANDERSON made these false and misleading representations well knowing that R.M. would repeat them to the IRS during his representation of ANDERSON in the audit. The reimbursement should have been reported as income on ANDERSON's 1997 United States Individual Income Tax Return. As a result of ANDERSON's misrepresentation, the IRS closed the audit without reviewing his 1997 United States Individual Income Tax Return.

30. On or about August 31, 1998, ANDERSON filed a 1997 United States Individual Income Tax Return that falsely omitted the reimbursed legal expenses referred to in paragraph 29 as income. ANDERSON failed to pay that portion of taxes due and owing to the IRS on that reimbursement.

31. After receiving notifications from the IRS of federal tax liens filed in the name of ANDERSON, reflecting that he owed more than $390,000 for tax years 1987 through 1993, ANDERSON purchased real property with G&A funds and held the properties in the name of corporate or trust entities created and controlled by him, in the names of "TWCD," "Red Tulip," "Vaca Trust," and "One World Properties," to conceal his ownership interests in these assets from the IRS.

32. In or about the Spring of 2001, ANDERSON agreed to sell the only District of Columbia property that he held in his name, located at 2012 Wyoming Avenue, N.W. ("Wyoming

Avenue Property"). To fraudulently obtain a release from an IRS lien against this property, ANDERSON made false and misleading statements to his representatives, well knowing that they would repeat these false and misleading statements to the IRS. Specifically, in an attempt to mislead the IRS as to the value of its lien, ANDERSON falsely stated that G&A still held a mortgage on the Wyoming Avenue Property. In or about November 2001, ANDERSON caused his attorney to forward a check in the amount of $49,162 to the IRS, under the false pretense that the amount of $49,162 represented the full amount of proceeds from the sale available to satisfy the IRS lien when, in fact, ANDERSON knew that the G&A mortgage on the Wyoming Avenue Property had previously been satisfied. ANDERSON further caused his attorney to wire transfer the balance of $140,542.69 to the G&A account at Barclays Bank, purportedly satisfying a mortgage that ANDERSON knew no longer existed.

33. From on or about August 3, 1998, through on or about June 22, 2001, ANDERSON caused to be filed United States Corporate Income Tax Returns for TWCD for the tax years 1997 through 2000, which returns contained false and inconsistent statements relating to the ownership of TWCD.

34. From on or about October 19, 2000, through on or about October 15, 2001, ANDERSON caused to be filed United States Partnership Income Tax Returns for Red Tulip for the tax years 1999 and 2000, which returns contained false and inconsistent statements relating to the ownership of Red Tulip.

35. From in or about 1993, ANDERSON filed or caused to be filed false and misleading forms with government agencies, including the United States Securities Exchange Commission, United States Federal Trade Commission, and United States Department of Justice insofar as he denied the ownership of G&A and Iceberg and misstated facts

relating to the funding of G&A and Iceberg.

36. From on or about September 14, 1994, through on or about April 15, 2000, ANDERSON falsely represented to the IRS that he was a resident of the State of Florida when, in fact, ANDERSON did not reside there.

In violation of Title 26, United States Code, Section 7212(a).

COUNT TWO
Tax Evasion 1995

37. Paragraphs 1 through 18, 21 through 25, 27, 28, 31, 35, and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

38. From on or about January 1, 1995, through on or about September 30, 1999, in the District of Columbia and elsewhere, ANDERSON did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States for the tax year 1995 by various means, including but not limited to the following:

a) filing and causing to be filed a false and fraudulent 1995 United States Individual Income Tax Return, wherein he falsely stated that his total income was $156,323, and that the total tax due and owing thereon was $27,194, whereas, as he then and there well knew and believed, his total income was substantially greater than what he reported and a substantial additional tax was due and owing to the United States. Specifically, he failed to report the following additional items of income in the following approximate amounts:

(i) $1,045,952 Subpart F investment-type income from G&A;

(ii) $75,000 bonus income from Esprit; and

(iii) $337 interest income from Barclays Bank.

b) failing to notify the IRS, as required by law, on a Schedule B of the 1995 United

States Individual Income Tax Return of his signature authority and control of the G&A and ANDERSON 1 accounts at Barclays Bank;

c) failing to file the required Form TD-F, The Report of Foreign Bank and Financial Accounts, with the Department of the Treasury, to report his control of the G&A and ANDERSON 1 accounts at Barclay's Bank;

d) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1995, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg;

e) making and causing to be made a false and fraudulent statement to the IRS during the audit relating to the unreimbursed business deductions he claimed on his 1995 Schedule A;

f) filing and causing to be filed false original and amended 1997 United States Individual Income Tax Returns, which omitted the reimbursement of the business deductions claimed on his 1995 United States Individual Income Tax Return as income.

In violation of Title 26, United States Code, Section 7201.

COUNT THREE
Tax Evasion 1996

38. Paragraphs 1 through 18, 21 through 25, 27, 28, 31, 35, and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

39. From on or about January 1, 1996, through on or about September 30, 1999, in the District of Columbia and elsewhere, ANDERSON did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States for the tax year 1996 by various means, including but not limited to the following:

a) filing and causing to be filed a false and fraudulent 1996 United States Individual Income Tax Return, wherein he falsely stated that his total income was $139,708, and that the total tax due and owing thereon was $32,096, whereas, as he then and there well knew and believed, his total income was substantially greater than what he reported and a substantial additional tax was due and owing to the United States. Specifically, he failed to report the following additional items of income in the following approximate amounts:

(i) $4,901,740 Subpart F investment-type income from G&A;

(ii) $175,000 bonus income from Esprit; and

(iii) $1,102 interest income from Barclays Bank.

b) failing to notify the IRS, as required by law, on a Schedule B of the 1996 United States Individual Income Tax Return of his signature authority and control of the G&A and ANDERSON 1 accounts at Barclays Bank;

c) failing to file the required Form TD-F, The Report of Foreign Bank and Financial

Account, with the Department of the Treasury to report his control of G&A and ANDERSON 1 accounts at Barclays Bank;

d) failing to report on his Schedule D of his 1996 United States Individual Income Tax Return that he transferred 220,000 shares in Esprit to G&A;

e) failing to file the required Form 926, Return by a United States Transferor of Property to a Foreign Corporation, disclosing that he transferred 220,000 shares in Esprit to G&A;

f) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1996, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg.

g) filing and causing to be filed a false 1996 Amended United States Individual Income Tax Return, which omitted the additional items of income detailed in subsection a(i)(ii) & (iii).

In violation of Title 26, United States Code, Section 7201.

COUNT FOUR
Tax Evasion 1997

40. Paragraphs 1 through 18, 21 through 31, 35, and 36 of this Indictment are hereby

realleged and incorporated as if fully set forth herein.

41. From on or about January 1, 1997, through on or about September 30, 1999, in the District of Columbia and elsewhere, ANDERSON did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States for the tax year 1997 by various means, including but not limited to the following:

a) filing and causing to be filed a false and fraudulent 1997 United States Individual Income Tax Return, wherein he falsely stated that his total income was $251,396, and that the total tax due and owing thereon was $51,514, whereas, as he then and there well knew and believed, his total income was substantially greater than what he reported and a substantial additional tax was due and owing to the United States. Specifically, he failed to report the following additional items of income in the following approximate amounts:

(i) $91,880,465 Subpart F investment-type income from G&A;

(ii) $10,879 wage income from Esprit;

(iii) $11,349 interest income from Barclays Bank; and

(iv) $232,106 in proceeds from a lawsuit, a substantial portion of which represented reimbursement for legal expenses previously deducted on his 1995 United States Individual Income Tax Return.

b) failing to notify the IRS, as required by law, on a Schedule B of the 1997 United States Individual Income Tax Return of his signature authority and control of the G&A, ANDERSON 1 and ANDERSON 2 accounts at Barclays Bank;

c) failing to file the required Form TD-F, The Report of Foreign Bank and Financial

Account, with the Department of the Treasury to report his control of G&A, ANDERSON 1 and ANDERSON 2 accounts at Barclays Bank;

d) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1997, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg.

e) filing and causing to be filed a false 1997 Amended United States Individual Income Tax Return, which omitted the additional items of income detailed in subsection a(i)(ii)(iii) & (iv).

In violation of Title 26, United States Code, Section 7201.

COUNT FIVE
Tax Evasion 1998

42. Paragraphs 1 through 18, 21 through 31, 33, 35, and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

43. From on or about January 1, 1998, through on or about September 30, 1999, in the District of Columbia and elsewhere, ANDERSON did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States for the tax year 1998 by various means, including but not limited to the following:

a) filing and causing to be filed a false and fraudulent 1998 United States Individual

Income Tax Return, wherein he falsely stated that his total income was $67,939 and that the total tax due and owing thereon was $494, whereas, as he then and there well knew and believed, his total income was substantially greater than what he reported and a substantial additional tax was due and owing to the United States. Specifically, he failed to report the following additional items of income in the following approximate amounts:

(i) $126,303,951 Subpart F investment-type income from G&A; and

(ii) $24,760 interest income from Barclays Bank.

b) failing to notify the IRS, as required by law, on a Schedule B of the 1998 United States Individual Income Tax Return of his signature authority and control of the G&A, ANDERSON 1 and ANDERSON 2 accounts at Barclays Bank;

c) failing to file the required Form TD-F, The Report of Foreign Bank and Financial Account, with the Department of the Treasury to report his control of G&A, ANDERSON 1 and ANDERSON 2 accounts at Barclays Bank;

d) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1998, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg;

In violation of Title 26, United States Code, Section 7201.

COUNT SIX
Tax Evasion 1999

44. Paragraphs 1 through 18, 21 through 31, and 33 through 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

45. From on or about January 1, 1999, through on or about October 19, 2000, in the District of Columbia and elsewhere, ANDERSON did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States for the tax year 1999 by various means, including but not limited to the following:

a) filing and causing to be filed a false and fraudulent 1999 United States Individual Income Tax Return, wherein he falsely stated that his total income was $3,324,179, and that the total tax due and owing thereon was $458,370, whereas, as he then well knew and believed, his total income was substantially greater than what he reported and a substantial additional tax was due and owing to the United States. Specifically, he failed to report the following additional items of income in the following approximate amounts:

(i) $238,561,316 Subpart F investment-type income from G&A;

(ii) $400,629 income from Esprit;

(iii) $16,822 interest income from Barclays Bank; and

(iv) $133,348 capital gain income;

b) failing to notify the IRS, as required by law, on a Schedule B of the 1999 United States Individual Income Tax Return of his signature authority and control of the G&A, ANDERSON 1 and ANDERSON 2 accounts at Barclays Bank;

c) failing to file the required Form TD-F, The Report of Foreign Bank and Financial

Account, with the Department of the Treasury to report his control of G&A, ANDERSON 1 and ANDERSON 2 accounts at Barclays Bank;

d) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1999, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg.

In violation of Title 26, United States Code, Section 7201.

COUNT SEVEN
Fraud in the First Degree
1995

46. Paragraphs 1 through 18, 21 through 25, 27, 28, 31, 35 and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

47. Beginning on or about January 1, 1995, and continuing through on or about April 15, 1996, in the District of Columbia and elsewhere, ANDERSON engaged in a scheme and systematic course of conduct with intent to defraud the District of Columbia and to obtain for ANDERSON property of the District of Columbia by means of false and fraudulent pretenses, representations and promises, and thereby obtained property of the District of Columbia and caused the District of Columbia to lose property, consisting of District of Columbia income taxes required by law to be paid by ANDERSON, in the approximate

value of $100,000, by committing the following acts:

a) failing to file a 1995 District of Columbia Individual Income Tax Return;

b) filing or causing to be filed a false 1995 United States Individual Income Tax Return;

c) concealing and attempting to conceal from the District of Columbia his District of Columbia residency by falsely alleging on his 1995 United States Individual Income Tax Return that he was a resident of Florida;

d) lying to his employer and/or its payroll company that he had changed his residency to Florida. Florida does not impose income taxes upon its residents. As a result, the payroll company only withheld District of Columbia income taxes for one pay period;

e) concealing from accountant R.D. income he had received as a resident of the District of Columbia by failing to provide R.D. with the Form W-2, reflecting District of Columbia wages and withholding, that was issued by the payroll company;

f) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1995, through various means, including but not limited to the following:

   (i) directing nominees to create and sign documents of G&A and Iceberg;

   (ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

   (iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg.

g) concealing his status as a resident of the District of Columbia from the District of Columbia taxing authorities by various means, including but not limited to the following:

(i) failing to obtain a District of Columbia driver's license as required by law;

(ii) maintaining a Virginia driver's license, which he obtained by falsely representing that he was a resident of Virginia;

(iii) failing to register his automobiles in the District of Columbia;

(iv) registering his automobiles in Virginia by falsely representing that he, or his business, resided in Virginia.

In violation of Title 22, District of Columbia Code, Section 3221(a).

COUNT EIGHT
Fraud in the First Degree
1996

48. Paragraphs 1 through 18, 21 through 25, 27, 28, 31, 35, and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

49. Beginning on or about January 1, 1996, and continuing through on or about April 15, 1997, in the District of Columbia and elsewhere, ANDERSON engaged in a scheme and systematic course of conduct with intent to defraud the District of Columbia and to obtain for ANDERSON property of the District of Columbia by means of false and fraudulent pretenses, representations and promises, and thereby obtained property of the District of Columbia and caused the District of Columbia to lose property, consisting of District of Columbia income taxes required by law to be paid by ANDERSON, in the approximate value of $270,000, by committing the following acts:

a) failing to file a 1996 District of Columbia Individual Income Tax Return;

b) filing or causing to be filed false original and Amended 1996 United States Individual Income Tax Returns;

c) concealing and attempting to conceal from the District of Columbia his District of Columbia residency by falsely alleging on his original and Amended 1996 United States Individual Income Tax Returns that he was a resident of Florida;

d) fraudulently causing his employer's payroll company not to withhold any District of Columbia income taxes from his salary;

e) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1996, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg.

f) concealing his status as a resident of the District of Columbia from the District of Columbia taxing authorities by various means, including but not limited to the following:

(i) failing to obtain a District of Columbia driver's license as required by law;

(ii) maintaining a Virginia driver's license, which he obtained by falsely representing that he was a resident of Virginia;

(iii) failing to register his automobiles in District of Columbia;

(iv) registering his automobiles in Virginia by falsely representing that he, or

his business, resided in Virginia.

In violation of Title 22, District of Columbia Code, Section 3221(a).

COUNT NINE
Fraud in the First Degree
1997

50. Paragraphs 1 through 18, 21 through 31, 35, and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

51. Beginning on or about January 1, 1997, and continuing through on or about April 15, 1998, in the District of Columbia and elsewhere, ANDERSON engaged in a scheme and systematic course of conduct with intent to defraud the District of Columbia and to obtain for ANDERSON property of the District of Columbia by means of false and fraudulent pretenses, representations and promises, and thereby obtained property of the District of Columbia and caused the District of Columbia to lose property, consisting of District of Columbia income taxes required by law to be paid by ANDERSON, in the approximate value of $8,000,000 by committing the following acts:

a) failing to file a 1997 District of Columbia Individual Income Tax Return;

b) filing or causing to be filed false original and Amended 1997 United States Individual Income Tax Returns;

c) concealing and attempting to conceal from the District of Columbia his District of Columbia residency by falsely alleging on his original and Amended 1997 United States Individual Income Tax Returns that he was a resident of Florida;

d) filing or causing to be filed a 1997 Florida Intangible Tax Return listing a Florida post office box as his residence;

e) fraudulently causing his employer's payroll company not to withhold any District

of Columbia income taxes from his salary;

f) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1997, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg; and

g) concealing his status as a resident of the District of Columbia from the District of Columbia taxing authorities by various means, including but not limited to the following:

(i) failing to obtain a District of Columbia driver's license as required by law;

(ii) maintaining a Virginia driver's license which he obtained by falsely representing that he was a resident of Virginia;

(iii) failing to register his automobiles in the District of Columbia; and

(iv) registering his automobiles in Virginia by falsely representing that he, or his business, resided in Virginia.

In violation of Title 22, District of Columbia Code, Section 3221(a).

COUNT TEN
Fraud in the First Degree
1998

52. Paragraphs 1 through 18, 21 through 31, 33, 35, and 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

53. Beginning on or about January 1, 1998, and continuing through on or about April 15, 1999, in the District of Columbia and elsewhere, ANDERSON engaged in a scheme and systematic course of conduct with intent to defraud the District of Columbia and to obtain for ANDERSON property of the District of Columbia by means of false and fraudulent pretenses, representations and promises, and thereby obtained property of the District of Columbia and caused the District of Columbia to lose property, consisting of District of Columbia income taxes required by law to be paid by ANDERSON, in the approximate value of $10,000,000, by committing the following acts:

a) failing to file a 1998 District of Columbia Individual Income Tax Return;

b) filing or causing to be filed a false 1998 United States Individual Income Tax Return;

c) concealing and attempting to conceal from the District of Columbia his District of Columbia residency by falsely alleging on his 1998 United States Individual Income Tax Return that he was a resident of Florida;

d) filing or causing to be filed a 1998 Florida Intangible Tax Return listing a Florida post office box as his residence;

e) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1998, through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg;

f) concealing his status as a resident of the District of Columbia from the District of Columbia taxing authorities by various means, including but not limited to the following:

(i) failing to obtain a District of Columbia driver's license as required by law;

(ii) maintaining a Virginia driver's license, which he obtained by falsely representing that he was a resident of Virginia;

(iii) failing to register his automobiles in the District of Columbia; and

(iv) registering his automobiles in Virginia by falsely representing that he, or his business, resided in Virginia.

In violation of Title 22, District of Columbia Code, Section 3221(a).

COUNT ELEVEN
Fraud in the First Degree
1999

54. Paragraphs 1 through 18, 21 through 31, and 33 through 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

55. Beginning on or about January 1, 1999, and continuing through on or about October 23, 2000, in the District of Columbia and elsewhere, ANDERSON engaged in a scheme and systematic course of conduct with intent to defraud the District of Columbia and to obtain for ANDERSON property of the District of Columbia by means of false and fraudulent pretenses, representations and promises, and thereby obtained property of the District of Columbia and caused the District of Columbia to lose property, consisting of District of Columbia income taxes required by law to be paid by ANDERSON, in the approximate value of $22,000,000, by committing the following acts:

a) filing and causing to be filed a false and fraudulent 1999 District of Columbia Individual Income Tax Return, wherein he falsely stated that his District of

Columbia adjusted gross income was $3,324,179 and that the total tax due and owing thereon was $218,235 whereas, as he then and there well knew and believed, that his District of Columbia adjusted gross income was substantially greater than what he reported and that a substantial additional tax was due and owing to the District of Columbia. Specifically, he failed to report the following additional items of income in the approximate amount of:

(i) $238,561,316 Subpart F investment-type income from G&A;

(ii) $400,629 income from Esprit;

(iii) $16,821 interest income from Barclays Bank; and

(iv) $133,348 capital gain income;

b) filing or causing to be filed a false 1999 United States Individual Income Tax Return; and

c) operating his business affairs in a manner designed to conceal his ownership and control of G&A and Iceberg during tax year 1999 through various means, including but not limited to the following:

(i) directing nominees to create and sign documents of G&A and Iceberg;

(ii) engaging corporate service centers to receive mail addressed to G&A and Iceberg; and

(iii) making or causing to be made false and fraudulent statements regarding the ownership and control of G&A and Iceberg.

In violation of Title 22, District of Columbia Code, Section 3221(a).

COUNT TWELVE
Fraud in the First Degree
Use Tax

56. Paragraphs 1 through 18, 21 through 31, and 33 through 36 of this Indictment are hereby realleged and incorporated as if fully set forth herein.

57. A "use tax" was due in the District of Columbia when a purchase was made of taxable merchandise or services for use, storage or consumption within the District of Columbia, from a seller located outside the District of Columbia, where the buyer was not charged any District of Columbia or other state sales tax on the purchase outside of the District of Columbia. The buyer was required to file an use tax return with the District of Columbia reflecting the purchase and to pay the tax due.

58. Beginning on or about January 1997 and continuing through on or about April 15, 2001, in the District of Columbia and elsewhere, ANDERSON engaged in a scheme and systematic course of conduct with intent to defraud the District of Columbia and to obtain for ANDERSON property of the District of Columbia by means of false and fraudulent pretenses, representations and promises, and thereby obtained property of the District of Columbia and caused the District of Columbia to lose property, consisting of District of Columbia use tax required by law to be paid by the defendant in the approximate amount of more than $250,000 for property purchased outside of the District of Columbia and used, stored, or consumed inside the District of Columbia. As part on this scheme and systematic course of conduct, ANDERSON, at times, had certain purchases shipped to a Virginia address in order to avoid having out-of-state merchants charge appropriate taxes. Also, ANDERSON failed to file any use tax return and pay the use tax to the District of Columbia for the following purchases:

a) 18k gold Bvlgari bracelet, purchased on or about December 5, 1997, in New York

for approximately $10,600;

b) two statues of bronze panthers, purchased on or about April 14, 1998, from Asprey in London for approximately $54,633;

c) wine cooling unit, purchased on or about May 16, 1998, from International Wine Accessories in Texas for approximately $1,845;

d) Rene Magritte painting entitled "La Peine Perdu," purchased on or about November 27, 1998, from Christie's Auction House in New York for approximately $1,212,500;

e) Rene Magritte painting entitled "A la Rencontre du Plaisir," purchased on or about November 27, 1998, from Christie's Auction House in New York for approximately $442,500;

f) Paul Delvaux painting entitled "Douce Nuit," purchased on or about November 27, 1998, purchased from Christie's Auction House in New York for $662,500;

g) Antoni Tapies landscape painting, purchased on or about December 15, 1998, from Christie's Auction House in London for approximately $163,362;

h) Antonio Saura painting entitled "Rubiloba," purchased on or about December 15, 1998, from Christie's Auction House in London for approximately $145,380;

i) Salvador Dali painting entitled "Le Bateau Echoue," purchased on or about December 15, 1998, from Christie's Auction House in London for approximately $516,618;

j) Rene Magritte painted wine bottle entitled "Paysage au Clair de Lune," purchased on or about November 15, 1999, from Christie's Auction House in New York for approximately $112,500;

k) Giorgio de Chirico painting entitled "Piazza d'Italia," purchased on or about

December 21, 1999, from Christie's Auction House in London for approximately $82,294;

l) wine racks, purchased on or about April 21, 1999, from International Wine Accessories in Texas for approximately $2,844;

m) fine wines, purchased on or about June 29, 2000, from Christie's Auction House in London for approximately $47,101; and

n) Paul Delvaux painting entitled "Rosine," purchased on or about July 19, 2000, from American-European Art Associates, Inc. in New York for approximately $1,000,000.

In violation of Title 22, District of Columbia Code, Section 3221(a).

A True Bill

Foreperson

Attorney for the United States
in and for the District of Columbia

04MC398
05cr066

AFFIDAVIT IN SUPPORT OF GOVERNMENT'S MOTION TO ORDER WALTER C. ANDERSON TO COMPLY WITH GRAND JURY SUBPOENAS OR SHOW CAUSE WHY HE SHOULD NOT BE HELD IN CONTEMPT

I, Matthew J. Kutz, after being duly sworn, do depose and state:

1. I am a Special Agent of the Internal Revenue Service (IRS) assigned to the Baltimore Field Office, Washington, D.C. post of duty. I have been employed by the IRS as a Special Agent for over six years. Since that time, I have received training in general law enforcement and conducting criminal financial investigations, and I have participated in several criminal investigations to include violations related to income tax fraud, conspiracy, and violations of the Bank Secrecy Act. I am currently assigned to a group within the IRS, which has investigative jurisdiction over financial investigations of alleged tax fraud and money laundering related to crimes in the Baltimore-Washington, D.C., Metropolitan areas. I am the lead agent, assisting the United States Attorney's Office for the District of Columbia, in the grand jury investigation into allegations that Walter C. Anderson ("Anderson") attempted to evade in excess of $100 million in income taxes that were due and owing to the United States of America, in violation of 26 U.S.C. Section 7201.

2. Based on your Affiant's training and experience, your Affiant understands that individuals engaging in financial crimes will oftentimes establish offshore accounts and entities in known tax havens to conceal the proceeds, income, or their involvement in financial crimes. According to IRS training material, a "tax haven" is a country that includes, among other items, the following characteristics: little or no income tax, bank and/or commercial secrecy, international banking facilities, and no currency controls. Examples of tax havens cited in the material include: the British Virgin Islands, Panama, Cyprus, Bahamas, the Cayman Islands, and

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Jersey, the Channel Islands. Your Affiant further understands individuals engaging in financial crimes will purposefully establish offshore entities and accounts in tax havens to capitalize on strict banking or commercial secrecy to avoid detection by U.S. law enforcement authorities. They will many times create a layered "daisy chain" structure of offshore entities, supplemented by the use of nominees and "bearer shares," to thwart U.S. law enforcement authorities from determining the timing, nature, and circumstances of financial transactions or the beneficial ownership of the entities. A "bearer share" is a stock certificate that does not contain the name of the owner, but is literally owned by the bearer. When people associated with the entity are questioned relating to the ownership, they will claim that they do not know who owns the corporation. The use of these structured offshore entities by U.S. taxpayers complicates the Internal Revenue Service's ability to adequately detect, audit, examine or investigate transactions that give rise to taxable income.

3. Your Affiant has personally been involved with the investigation of Walter Anderson ("Anderson"), regarding his use of Gold & Appel Transfer, S.A., ("Gold & Appel"), a British Virgin Island corporation, to effect a sophisticated tax evasion scheme resulting in more than $100 million in revenue loss to the United States government. It appears from the evidence that Anderson formed Gold & Appel at approximately the same time he was about to realize a significant economic windfall. Taking advantage of the deregulation of the telephone industry, Anderson, in 1984, formed his own regional long distance company in the Washington, D.C. Metropolitan area, known as Mid-Atlantic Telecom ("MAT"). Anderson was the principal shareholder and served as its President. In the summer of 1992, Anderson began merger negotiations with a larger publicly traded long distance company, Rochester Telephone

Company ("RTC"). Based upon Anderson's investment in MAT, he stood to realize approximately 7 million dollars if this merger was consummated as negotiated.

4. Anderson, however, already had problems with the IRS. For the tax years 1987 through and including 1991, Anderson had failed to file federal income tax returns with the IRS even though he was legally obligated to do so. IRS records reveal that he was notified by the IRS on numerous occasions regarding his failure to file these returns. Your Affiant believes that Anderson was fully aware that the IRS had the legal authority to seize his property in payment of the taxes that he owed, which could include the assets he was about to receive from RTC in the merger transaction.

5. Right before the RTC/MAT merger agreement was finalized, Anderson instructed the corporate Secretary of MAT to transfer most of his ownership in MAT to Gold & Appel. Then, in September 1993, several days before the merger closed, Anderson formed another offshore entity in Panama by the name of Iceberg Transport, S.A. ("Iceberg"). Anderson instructed the formation agent to form Iceberg as a bearer corporation. Anderson then arranged for Gold & Appel to become a wholly owned subsidiary of Iceberg by directing the nominee director of Gold & Appel to issue ten shares to Iceberg. Because it was unknown who held Iceberg's bearer shares, it was impossible to identify the ultimate beneficial owners of Gold & Appel. Indeed, Anderson on many occasions, including under oath in court proceedings, claimed that he did not know who the ultimate beneficial owners were.

6. Anderson also instructed Gold & Appel's nominee director to grant Anderson an exclusive option to purchase the remaining 990 shares of Gold & Appel. Accordingly, no one other than Anderson could own these 990 shares. Since there is no evidence that Anderson ever

exercised this option or transferred it to someone else, the mystery behind the ownership of Gold & Appel remained with the holder of Iceberg's bearer shares.

7. After forming this two layered corporate structure and capitalizing it with the monies he realized from the RTC/MAT merger, Anderson began operating as the "fund manager" of Gold & Appel. He opened bank and brokerage accounts to conduct hundreds of stock transactions, in privately and publicly held companies in the U.S. and abroad. Two of these companies, Telco Communications Group Inc. ("Telco") and Esprit Telecom ("Esprit"), he had founded with other business associates. Although his initial investments were made in his individual name, Anderson similarly arranged for most of these shares to be transferred to Gold & Appel for minimal consideration.

8. In 1996, Telco, a Virginia corporation, made its initial public offering. Millions of shares of common stock were sold on the NASDAQ Stock exchange at $14 per share. As a result, Anderson's original $250,000 investment, which he had transferred to Gold & Appel, increased in value to approximately $90 million. The following year, in June 1997, Telco merged with a larger public telephone company, Excel Communications. According to the terms of the merger, Gold & Appel received $96 million worth of Excel shares and $90 million in cash.

9. In early 1997, Esprit, a European based telephone company, made its first public offering in Europe and the U.S. As a result, Anderson's share holdings in Esprit, which he transferred Gold & Appel, increased in value to approximately $26.5 million. In March 1999, Esprit ultimately consummated a merger with a Mclean, Virginia based telephone company,

Global Telesystems, Inc. ("GTS"). Gold & Appel received shares in GTS valued at approximately $200 million.

10. Anderson reinvested the monies realized in these three companies in other business ventures. Between 1995 and 1999, Anderson directed the investment of several hundred million dollars in the name of Gold & Appel. In conjunction with Gold & Appel's investments, Gold & Appel received directorships for many of these companies. Anderson served on the Boards of these companies. In addition to these securities transactions, Anderson used monies from Gold & Appel's account to make substantial personal expenditures, including two Washington, D.C. residences for himself, four residences for his female companions, an expensive airplane, and original works of valuable art.

11. As a U.S. citizen, Anderson is obligated to pay taxes on worldwide income, including income generated by a Control Foreign Corporation ("CFC"). A CFC is a foreign entity of which more than 50 percent of the total stock is owned by U.S. shareholders. A U.S. shareholder is one who owns, either directly, indirectly or constructively, 10 percent or more of the total voting power of the foreign corporation's voting stock. If the foreign corporation is a CFC, all investment income earned, whether distributed or not, is allocated to each of the U.S. shareholders by the amount of stock owned, directly or indirectly, by him. The Internal Revenue Code ("IRC") provides that this amount should be reported on a U.S. citizen's individual income tax return, a Form 1040, and any resulting tax due and owing should be paid.

12. Not surprisingly, Anderson did not report Gold & Appel's earning on his income tax returns for the years 1995 through and including 1999. The accountants, who prepared these returns, specifically asked Anderson whether Gold & Appel was a CFC. Anderson always

Global Telesystems, Inc. ("GTS"). Gold & Appel received shares in GTS valued at approximately $200 million.

10. Anderson reinvested the monies realized in these three companies in other business ventures. Between 1995 and 1999, Anderson directed the investment of several hundred million dollars in the name of Gold & Appel. In conjunction with Gold & Appel's investments, Gold & Appel received directorships for many of these companies. Anderson served on the Boards of these companies. In addition to these securities transactions, Anderson used monies from Gold & Appel's account to make substantial personal expenditures, including two Washington, D.C. residences for himself, four residences for his female companions, an expensive airplane, and original works of valuable art.

11. As a U.S. citizen, Anderson is obligated to pay taxes on worldwide income, including income generated by a Control Foreign Corporation ("CFC"). A CFC is a foreign entity of which more than 50 percent of the total stock is owned by U.S. shareholders. A U.S. shareholder is one who owns, either directly, indirectly or constructively, 10 percent or more of the total voting power of the foreign corporation's voting stock. If the foreign corporation is a CFC, all investment income earned, whether distributed or not, is allocated to each of the U.S. shareholders by the amount of stock owned, directly or indirectly, by him. The Internal Revenue Code ("IRC") provides that this amount should be reported on a U.S. citizen's individual income tax return, a Form 1040, and any resulting tax due and owing should be paid.

12. Not surprisingly, Anderson did not report Gold & Appel's earning on his income tax returns for the years 1995 through and including 1999. The accountants, who prepared these returns, specifically asked Anderson whether Gold & Appel was a CFC. Anderson always

provided answers indicating that Gold & Appel and Iceberg were not CFCs. Evidence subsequently seized by the government from Anderson's residence, including several books on the subject, demonstrated that he was adequately versed in this section of the Internal Revenue Code.

13. Then, in March 2002, the government seized from Anderson's D.C. office and residence, all of the bearer shares of Iceberg. By virtue of his possession of these share certificates, Anderson is deemed to be the owner of Iceberg. It also appears that he has always been in possession of these certificates. Correspondence from the formation agent for Iceberg and records from the Netherlands' government confirmed that these stock certificates were mailed to Anderson upon Iceberg's formation, in September 1993. The government also seized Iceberg's Minute Book, which contained an undated handwritten entry, granting an exclusive option to purchase 99% of the shares of Iceberg to Anderson's mother, Beverly A. Heinle, for a mere $9,900. The option was valid until November 1, 2002. In July 2002, Mrs. Heinle told your Affiant that she did not know what Iceberg was or that she had this option to purchase these shares. As stated above with respect to Gold & Appel, by granting this exclusive option to his mother, Anderson assured that no one else could own those shares. Therefore, the only possible owner of Iceberg is Anderson – the bearer of the shares. As the owner of Iceberg, Anderson is the only possible owner of Gold & Appel.

14. After these searches, Anderson's attorneys moved to unseal your Affiant's Affidavit in support of the warrants. Your Affiant subsequently seized from Anderson's trash a document that purports to be his personal assessment of the accuracy of the Affidavit and the

Management Limited in the Cayman Islands to manage the Smaller World Trust with an intention of forming a Cayman Islands' trust using the same name. It is still unclear to your Affiant whether Anderson actually succeeded in forming a Smaller World Trust in either the BVI or the Cayman Islands.

18. Based upon Anderson's actions, your Affiant believed that he was attempting to obstruct the grand jury investigation and further impede the IRS's ability to assess and collect the taxes due and owing. Accordingly, your Affiant presented an affidavit to Magistrate Judge Alan Kay, seeking additional search warrants for Anderson's residence, storage facility and newly leased office space. On November 7, 2003, IRS Special Agents executed these search warrants.

19. Found in Anderson's office was a trust document for the Smaller World Trust. Yet, the document was redacted to conceal the identity of the trust settlor and the date when the trust was created. Anderson, however, is identified as the "initial protector" and "protector" of the trust, who has the power to appoint the trustee. Furthermore, Section 7.2 of the trust document states that Anderson "is the party most familiar with the true and actual intentions and Purposes of the Trust." Moreover, Section 7.7 of the trust document provides the protector with "the right to all current information on all Trust matters including but not limited to all: accounts, corporate records, correspondence, legal action pending on behalf or against trust interests."

20. It appears that after the November 2003 search, Anderson contacted another formation agent, Sovereign Management Services, in Panama, to form an entity known as the

1993

SWIDLER & BERLIN
CHARTERED

June 23, 1993

Board of Directors
Mid Atlantic Telecom, Inc.

Re: Certain Tax Consequences to Shareholders Resulting from the Proposed Merger with Rochester Subsidiary Twenty-Five Inc.

Gentlemen:

You have requested our opinion regarding certain Federal income tax aspects of a proposed merger of Rochester Subsidiary Twenty-Five Inc. ("Subsidiary"), a newly-formed, wholly-owned subsidiary of Rochester Telephone Corporation ("Rochester"), with and into Mid Atlantic Telecom, Inc. ("Mid Atlantic"). We have acted as special tax counsel solely to Mid Atlantic in connection with this opinion. We are not counsel to any of the individual shareholders of Mid Atlantic. A description of the merger is set forth in the Registration Statement on Form S-4 filed by Rochester with the Securities and Exchange Commission (the "Registration Statement").

The tax issues discussed herein are whether the exchange of Mid Atlantic common stock for Rochester common stock will be a taxable transaction for shareholders, what basis such shareholders will have in the Rochester common stock received, and when the holding period for capital gains purposes will be deemed to commence with respect to Rochester common stock received.

In connection with this opinion, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction of: (a) The Agreement and Plan of Merger dated as of December 31, 1992 by and among Mid Atlantic, Subsidiary and Rochester; (b) the Agreement with respect to a Merger of Rochester Subsidiary Twenty-Five Inc. into Mid Atlantic, Telecom Inc. dated December 31, 1992 by and among Rochester, Mid Atlantic, Subsidiary, Gold & Appel Transfer, S.A. ("Gold & Appel") and Walter Anderson ("Anderson") and (c) the Pre-Closing Amendment to Agreement with Respect to a Merger effective as of March 18, 1993 by and among Rochester, Subsidiary, Mid Atlantic, Gold & Appel, Anderson, Donald A. Burns, Jr., Gail W. Furman, Kris Weimerskirch and Zane D. Showker (all of the foregoing referred to as the "Agreements").

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We have relied on the representations and warranties set forth in such documents. We have also obtained an Officers' Certificate ("Certificate") from Anderson and Donald A. Burns, Jr. with respect to the factual matters relevant to this opinion, and have relied upon such certificate in connection herewith.

This opinion is based solely upon our review of the Agreements and contingent upon the truth and accuracy of all representations set forth herein. We have undertaken no independent investigation to ensure the truth and accuracy of such representations.

SUMMARY OF FACTS

Following is a summary of facts regarding issues which you have asked to opine:

Pursuant to the Agreements, on the Effective Date (as defined in the Agreements), Subsidiary will merge into Mid Atlantic (the "Merger"). The Merger is governed by the State laws of Virginia and, in connection therewith, all assets and liabilities of Subsidiary will transfer to Mid Atlantic. Pursuant to the Merger, each outstanding share of $.01 par value common stock of Mid Atlantic will be exchanged for a pro rata share of the number of shares of fully paid and non-assessable $1.00 par value common stock of Rochester, as determined by dividing the purchase price (as provided for in the Agreements) by the average closing price of Rochester common stock on the composite tape at the New York Stock Exchange for the five trading days ending two business days prior to the consummation of the Merger, then dividing the quotient by 998,508, the number of shares of Mid Atlantic authorized, issued and outstanding. The purchase price is generally equal to $6,690,000 less specified debt, but may be adjusted downward pursuant to a formula set forth in the Agreements. Mid Atlantic shareholders who dissent from the Merger will have the right to obtain payment of the fair value of their shares of the company in accordance with the procedures of Section 13.1-729 to 13.1-741 of the Virginia Stock Corporation Act.

Each holder of Mid Atlantic stock outstanding immediately prior to the Merger will be entitled to an additional distribution of Rochester common stock (the "Additional Consideration") calculated pursuant to a formula set forth in the Agreements to be determined by approximately March 1, 1994, up to an aggregate maximum of $3,375,000 in additional consideration.

Based on the Certificate, we understand that Gold & Appel is the legal owner of 684,680 shares of Mid Atlantic; that such shares were acquired by Gold & Appel on September 2, 1992 from Anderson pursuant to an exercise of an option granted by Anderson in an Option Agreement (the "Option Agreement") entered into between Gold & Appel and Anderson on December 2, 1991 as amended December 22, 1991; and that Anderson has a power of attorney (the "Power of Attorney") to manage all of the affairs of Gold & Appel and an option (the "Anderson Option") to acquire for a nominal price substantially all of the outstanding stock of Gold & Appel.

In connection with the foregoing, in the Agreements, Mid Atlantic, Gold & Appel and Anderson have made the following representations:

1. Immediately following the Merger, Mid Atlantic will hold at least ninety percent (90%) of the fair market value of its net assets and at least seventy percent (70%) of the fair market value of its gross assets held prior to the Merger. For purposes of the 90 percent and 70 percent tests described herein, the following shall be taken into account as assets of Mid Atlantic held immediately prior to the Merger: (i) the expenses of the Merger transaction to be paid by Mid Atlantic; (ii) all dividends (other than regular, normal dividends) and other extraordinary distributions to shareholders and redemptions of stock by Mid Atlantic made within the three (3) years immediately preceding the Merger; (iii) all payments to shareholders of Mid Atlantic who dissent from the Merger under the applicable state law; and (iv) payments to shareholders of Mid Atlantic in lieu of fractional shares.

2. There is no plan or intention by Mid Atlantic, Gold & Appel or Anderson, and such persons and entities are not aware of any plan or intention on the part of other shareholders of Mid Atlantic, to sell, exchange or otherwise dispose of a number of shares of Rochester shares received in the Merger that would reduce the ownership of Rochester common stock by the former owners of the Mid Atlantic common stock to a number of shares having, in the aggregate, a value of less than fifty percent (50%) of the aggregate value of the outstanding Mid Atlantic common stock immediately prior to the Merger. For purposes of applying the test described above, the following shall be treated as outstanding stock of Mid Atlantic as of the effective date of the Merger: (a) the shares of Mid Atlantic common stock held either prior or subsequent to the Merger which are sold, redeemed or otherwise disposed of as part of the Merger; (b) any shares of Mid Atlantic common stock acquired for cash in lieu of issuing fractional shares; (c) any shares of Mid Atlantic common stock

exchanged for cash or property; and (d) any shares surrendered in exchange for payments to dissenting shareholders to the Merger.

3. Gold & Appel and Anderson intend to use the Rochester common stock they receive pursuant to the Merger as collateral for a loan immediately after the closing. Under the terms of a security agreement, Gold & Appel and Anderson will retain all legal rights to the Rochester common stock, such as the right to receive dividends and the right to vote the Rochester common stock. Additionally, Gold & Appel and Anderson intend to repay the loan and will be personally liable for the borrowing, and the value of the Rochester common stock at the time the loan is made will exceed the amount of the loan by twenty percent (20%).

4. The fair market value of the Rochester common stock to be received by each holder of Mid Atlantic common stock in the Merger (including the fractional share interests to which they would otherwise be entitled) will be approximately equal to the fair market value of the Mid Atlantic common stock surrendered by each holder of Mid Atlantic common stock in the Merger. Mid Atlantic and Rochester have bargained at arm's length over the price to be paid for Mid Atlantic. Such price was determined based solely on the value of Mid Atlantic without considering any other company in which the shareholders of Mid Atlantic own an equity interest.

5. In the Merger, Rochester will acquire control of Mid Atlantic within the meaning of Section 368(c) of the Internal Revenue Code of 1986, as amended (the "Code"). Mid Atlantic will not issue additional shares of its stock that would result in Rochester losing or not obtaining control of Mid Atlantic.

6. In the Merger, shares of Mid Atlantic common stock representing control of Mid Atlantic, as defined in Section 368(c) of the Code, will be exchanged solely for Rochester common stock. For purposes of this representation, shares of Mid Atlantic common stock exchanged for cash or other property originating with Rochester will be treated as outstanding Mid Atlantic common stock on the date of the Merger.

7. Mid Atlantic has no outstanding warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire its common stock.

8. Mid Atlantic's business reasons for entering into the transaction include the fact that Rochester can provide Mid Atlantic with additional engineering, financial and managerial

expertise, enabling Mid Atlantic to operate more efficiently and profitably in the future.

9. For the convenience of the parties, no fractional shares of Rochester common stock will be issued. Instead, Rochester will pay to any holder of the Mid Atlantic common stock otherwise entitled to a fractional share the amount of cash or cash equivalent assignable to such fractional share under the terms of the Agreement. The cash to be paid by Rochester is in lieu of fractional share interests to which the holders of the Mid Atlantic common stock are entitled under the Agreements, and represents merely a mechanical rounding-off of the fractions in the Merger and is not a separately bargained-for consideration. The total cash paid in the transaction for fractional share interests will not exceed one percent (1%) of the total consideration given in the Merger.

10. Mid Atlantic will pay its own reorganization expenses (including fees and expenses paid to attorneys, accountants, financial advisors and brokers) actually incurred by it in connection with the Merger. The executive officers and directors of Mid Atlantic, and holders of five percent (5%) or more of the Mid Atlantic common stock will each pay their own respective reorganization expenses (including fees and expenses paid to attorneys, accountants, financial advisors and brokers) incurred by them in consideration for the Merger.

11. Mid Atlantic has not paid any extraordinary distributions or dividends with respect to its common stock or otherwise and none will be paid prior to the Merger.

12. There is no indebtedness existing between Mid Atlantic and Rochester, including their subsidiaries, that was issued or acquired at a discount or that will be settled at a discount in connection with the Merger.

13. No liabilities of Mid Atlantic will be assumed by or transferred to Rochester nor will any of Mid Atlantic common stock transferred to Rochester be subject to any liabilities.

14. On the Effective Date, the fair market value of all the assets of Mid Atlantic will exceed the sum of all the liabilities of Mid Atlantic, plus the liabilities, if any, to which the assets are subject.

15. The compensation and/or benefits to be paid to Anderson, Gail W. Furman and Donald A. Burns, Jr. pursuant to certain employment agreements will be for services expected to be

rendered, and such compensation and terms are commensurate with compensation and terms accorded to third parties bargaining at arm's length for similar services. None of the compensation and/or benefits to be received by Anderson, Gail W. Furman and Donald A. Burns, Jr. or any employee of Mid Atlantic will be separate consideration for or allocable to any shares of Mid Atlantic common stock or allocable to any shares of Rochester common stock.

16. Mid Atlantic is not an investment company, as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code. Mid Atlantic is not a regulated investment company or a real estate investment trust, as defined in the Code.

17. Mid Atlantic is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

18. On December 2, 1991, as amended December 22, 1991, Anderson entered into the Option Agreement whereby Anderson granted Gold & Appel the right to purchase up to 700,000 shares of Mid Atlantic common stock owned by Anderson. The purchase price of the stock was $.03 per share. The Option Agreement was entered into prior to the date on which Mid Atlantic began discussions with Rochester, and prior to the date on which Mid Atlantic first considered engaging in a plan of reorganization or acquisition. Furthermore, the Option Agreement was entered into for valid business purposes and not for tax avoidance purposes. At the inception of the Option Agreement, all parties to the agreement anticipated that Gold & Appel would exercise its option to purchase Mid Atlantic stock.

In connection with the foregoing, in the Agreements, Rochester has made the following representations:

1. Subsequent to the Merger, Rochester will not cause or permit Mid Atlantic to distribute or otherwise dispose of Mid Atlantic's assets such that less than ninety percent (90%) of the fair market value of Mid Atlantic's net assets or less than seventy percent (70%) of the fair market value of Mid Atlantic's gross assets immediately before the Merger, will be held by Mid Atlantic after the Merger.

2. Rochester has no plan or intention to cause or permit Mid Atlantic to issue additional shares of Mid Atlantic common or preferred stock which would result in Rochester losing or not obtaining control of Mid Atlantic. In the Merger, Rochester will acquire shares of Mid Atlantic common stock representing control

of Mid Atlantic, as defined in Section 368(c) of the Code, in exchange solely for Rochester common stock. For purposes of this representation, shares of Mid Atlantic common stock exchanged for cash or other property originating with Rochester will be treated as outstanding Mid Atlantic common stock on the date of the Merger.

3. After the Merger, Rochester has no plan or intention to cause or permit Mid Atlantic not to continue its historic business in substantially the manner in which such business has been conducted before the Merger.

4. Rochester has no plan or intention to liquidate Mid Atlantic; to cause or permit Mid Atlantic to merge into another corporation; to sell or otherwise dispose of any Mid Atlantic common stock (except for the transfer of the Mid Atlantic common stock to a wholly-owned subsidiary of Rochester and the possible transfer of the Mid Atlantic common stock by such subsidiary to its wholly-owned subsidiary as set forth below); or to cause or permit the sale or other disposition of any of the assets of Mid Atlantic (except for sales or dispositions in the ordinary course of business). Immediately after the consummation of the Merger or upon the "Earn Out Payment Date" (as defined in the Agreements), whichever is later, Rochester plans and intends to cause a "drop down" of Mid Atlantic to the second tier subsidiary level by transferring all of Mid Atlantic's outstanding capital stock to a wholly-owned first tier subsidiary of Rochester solely in exchange for the stock of such first tier subsidiary. Subsequently, such first tier subsidiary may transfer all of Mid Atlantic's outstanding capital stock by delivery to a wholly-owned subsidiary of the first tier subsidiary solely in exchange for the shares of the wholly-owned subsidiary's stock. The subsequent transfer of Mid Atlantic common stock to a second tier wholly-owned subsidiary of Rochester will not cause the merger to fail to be a tax deferred reorganization under Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code.

5. Rochester has no plan or intention to redeem or otherwise reacquire any of its stock to be distributed to the owners of Mid Atlantic common stock in the Merger.

6. Rochester is not an investment company, as defined in Section 368(a)(2)(f)(iii) and (iv) of the Code. Rochester is not a regulated investment company or real estate investment trust as defined in the Code.

7. Prior to the Merger, Rochester will be in "control" of Subsidiary within the meaning of Section 368(c) of the Code.

In connection with the foregoing, Gold & Appel and Anderson have made the following additional representations:

1. The exercise of the option by Gold & Appel to acquire legal ownership of Mid Atlantic common stock was effected pursuant to the Option Agreement prior to any agreement, letter of intent or agreement, oral or written, being entered into regarding the Merger, plan of reorganization or acquisition and prior to the commencement of any negotiations with Rochester regarding the Merger. Further, the decision to exercise the option on the exercise date was for valid business purposes independent of and not related to or based upon an expectation that the Merger or other plan of reorganization would be consummated. Such business reasons included facilitating the commencement and expansion of operations abroad including enhancing the ability to procure financing for such operations by capitalizing Gold & Appel with appreciating assets.

2. Pursuant to the Power of Attorney and Anderson Option, Anderson controls Gold & Appel and is the beneficial owner of substantially all of the equity of Gold & Appel. Anderson intends to exercise the Anderson Option and become the legal owner of substantially all of the outstanding equity of Gold & Appel.

ANALYSIS

The Merger will be a taxable event to Mid Atlantic shareholders unless it qualifies as a reorganization under Code Section 368(a)(2)(E).

General Requirements for Section 368(a)(2)(E) Reorganization

Section 368(a)(2)(E) provides that a merger will qualify as a reorganization in the case where a subsidiary of an acquiring corporation merges into a target corporation and (i) in the transaction, the former target shareholders surrender an amount of stock representing control of target in exchange solely for voting stock of the acquiring corporation, and (ii) after the transaction, the target holds substantially all its properties and substantially all the properties of the subsidiary. The Internal Revenue Service takes the position that the "substantially all" requirement is satisfied if there is a transfer of assets representing at least 90% of the fair market value of the net assets of a corporation and at least 70% of the fair market value of the corporation's gross assets. "Control" is defined under Section 368(c) of the Code as ownership of stock possessing at least 80 percent of the total combined voting power

of all classes of stock entitled to vote and at least 80 percent of the total number of shares of other classes of stock of the corporation. Based on the Agreements and the representations, the Merger will satisfy the foregoing requirements.

Continuity of Interest

In order to qualify as a reorganization, the Merger must satisfy a "continuity of interest" requirement regarding shareholders of Mid Atlantic. Section 1.368-1(b) of the Treasury Regulations (the "Regulations") requires as a prerequisite for a reorganization "a continuity of interest therein on the part of those persons who, directly or indirectly, were the owners of the enterprise prior to the reorganization."

This requirement has been subject to a great deal of interpretation by the Internal Revenue Service and judicial authorities. The Internal Revenue Service takes the position for advance ruling purposes that the continuity of interest requirement will be satisfied if the former target shareholders receive acquiring corporate stock equal in value, as of the effective date of the reorganization, to at least 50% of the value of all of the formerly outstanding target stock as of the same date. These advance ruling guidelines further provide that, for purposes of applying the 50% rule, sales, redemptions, and other dispositions of target stock occurring prior or subsequent to the exchange which are part of the plan of reorganization will be taken into account. This requirement has been treated by the Internal Revenue Service as meaning that at least 50% of the consideration paid by the acquiring corporation must be acquiring corporation stock given to target shareholders who are "historical shareholders" of the target and not counting any target shareholders who may have recently received their target shares in reliance upon or in anticipation of the reorganization.

The Internal Revenue Service could argue that Anderson rather than Gold & Appel is the "historical shareholder" of Mid Atlantic and therefore Rochester common stock received by Gold & Appel will not be counted toward the continuity of interest requirement causing the transaction to fail such test. In order for such argument to prevail, the Internal Revenue Service would have to show that Gold & Appel's acquisition of the Mid Atlantic shares was part of the plan of reorganization. Mid Atlantic, Gold & Appel and Anderson have represented that the Option Agreement was entered into prior to any discussions with Rochester or to Mid Atlantic's considering engagement in a plan of reorganization or acquisition and that all parties to the Option Agreement anticipated that the option would be exercised.

In addition, Anderson and Gold & Appel have represented that the option was exercised for business reasons independent of the Merger. Relying on the representations set forth herein, the acquisition of shares by Gold & Appel should not be treated as part of the plan of reorganization and Gold & Appel should be treated as the historical shareholder of Mid Atlantic for purposes of the continuity of interest requirement. Finally, even if the Internal Revenue Service were successful in asserting that Anderson was the "historical shareholder," the Internal Revenue Service has ruled previously (and the Regulations provide) that the continuity of interest test can be satisfied indirectly both in the circumstance where a target shareholder receiving acquiring corporation stock distributes the stock to the target shareholder's parent and/or individual shareholders and where a target shareholder transfers downstream the acquiring corporation stock to wholly-owned corporations. See Rev.Rul. 84-30, 1984-1CB.115, Private Letter Rulings ("PLR") 9050031, 8939056; 8922063 holding that upstream distribution does not violate continuity of interest; See PLR 9121013, 9047007,8930066 and 8929059 holding that transfer by original target shareholders of acquiring stock to wholly-owned corporations did not violate continuity of interest request. While none of these rulings involved a Section 368(a)(2)(E) reorganization, they are closely analogous to the foregoing circumstances. Accordingly, even if Anderson, rather than Gold & Appel is treated as the "historical shareholder" of Mid Atlantic, the continuity of interest requirement should be deemed to be satisfied indirectly by Anderson's control of Gold & Appel.

Nevertheless, it should be noted that the Internal Revenue Service may not agree with this analysis and the ultimate outcome of any litigation regarding this issue cannot be predicted with certainty.

Payment of Additional Consideration

Under certain circumstances, stock received as additional contingent consideration in a reorganization after the date of the initial closing may be regarded as "other property" taxable pursuant to Section 356 of the Code. The Internal Revenue Service takes the position that stock received as additional consideration is tax-free if the following conditions are met: (1) all of the stock to be issued in the reorganization will be issued within five (5) years from the date of the initial distribution; (2) there is a valid business reason for not issuing all of the stock at the time of the reorganization; (3) the maximum number of shares that may be issued is set forth in the agreement; (4) at least fifty percent (50%) of the maximum

number of shares of each class of stock that may eventually be issued is issued in the initial distribution; (5) the triggering event for the issuance must not be an event within the control of the target shareholders and must not be based on the determination of a federal income tax liability related to the reorganization; (6) the formula for calculating the additional issuance must be objective and readily ascertainable; and (7) the right to receive additional shares must either be nonassignable or not be evidenced by a negotiable instrument or be readily marketable. Based on the Agreements and representations, the payment of Additional Consideration should satisfy these tests. There is uncertainty in the law as to whether, pursuant to Code Sections 483 and 1271-1275, taxable interest must be imputed when stock is received in a reorganization as an additional installment after the initial closing. Such interest imputation rules would be applied by discounting the value of the installment payment back to the date of the initial closing using the Applicable Federal Rate (as defined in Section 1274(d)) as the interest rate to determine the amount of the imputed interest which would be taxable. In at least one ruling the IRS has taken the position that interest is imputed in connection with the issuance of additional shares in an otherwise tax-free reorganization. See Rev. Rul. 73-298, 1973-2 C.B. 173. Accordingly, it is possible that a portion of any Additional Consideration received by Mid Atlantic shareholders may be treated as taxable interest income.

The Internal Revenue Service also takes the position that the aggregate basis of shares in the target transferred by target shareholders must be allocated to all shares of the acquiring corporation which either have been received or may be received in a contingent payout. Accordingly, Mid Atlantic shareholders are required to allocate basis in Mid Atlantic shares to that of Rochester shares initially received and, upon any payment of "Additional Consideration", would reallocate basis among all Rochester shares held at the time the additional shares are received.

Transfer to Second-Tier Subsidiary

Rochester has indicated that, following the Merger, it may transfer its Mid Atlantic common stock to a wholly-owned subsidiary which in turn may transfer such Mid Atlantic common stock to a wholly-owned subsidiary of such subsidiary. Section 368(a)(2)(C) of the Code provides that a reorganization qualifying under any of Sections 368(a)(1)(A), 368(a)(1)(B), 368(a)(1)(C) or 368(a)(1)(G) is not disqualified by reason of the fact that part or all of the stock acquired in the transaction is

transferred to a corporation controlled by the acquiring corporation. Section 1.368-2(j)(4) of the Regulations clarifies that Section 368(a)(2)(C) also applies to reorganizations under Section 368(a)(2)(E). Further, the Internal Revenue Service has ruled that Section 368(a)(2)(C) permits an acquiring corporation to drop the acquired target stock down to a controlled second-tier subsidiary. PLR 9041086.

Accordingly, a transfer by Rochester of its Mid Atlantic shares to a wholly-owned second-tier subsidiary should not disqualify the reorganization.

OPINION

Based on the foregoing and our reliance upon the accuracy of the representations and certifications, and subject to the assumptions and qualifications set forth herein, it is our opinion that:

1. The Merger will qualify as a reorganization pursuant to Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code.

2. No gain or loss will be recognized to the shareholders of Mid Atlantic upon the exchange of Mid Atlantic common stock for Rochester common stock including Rochester common stock received as Additional Consideration (subject to potential imputation of interest on Additional consideration) except for cash received in lieu of fractional shares.

3. The basis of the Rochester common stock (including any shares received as Additional Consideration) received by the Mid Atlantic shareholders will be the same as the basis of Mid Atlantic common stock surrendered in exchange therefor. Upon a shareholder's receipt of shares as Additional Consideration, the basis will be reallocated among all of the Rochester shares received in the Merger and held by such shareholder at such time.

4. The holding period of the Rochester common stock received by the shareholders of Mid Atlantic will include the period during which Mid Atlantic stock surrendered therefor was held, provided the stock of Mid Atlantic is held as a capital asset in the hands of the Mid Atlantic shareholders on the date of the exchange.

Except as expressly set forth above, we express no opinion regarding any other tax consequences to any party, whether Federal, state, local or foreign, of the Merger or of any transactions related to the Merger or contemplated by the

Agreements. The opinions expressed in the letter are limited to the matters set forth herein and no other opinions should be inferred beyond those expressly stated.

This opinion is based upon applied laws and interpretations as in effect on the date of this opinion including applicable provisions of the Code, Regulations, pertinent judicial authorities, and interpretative rulings of the Internal Revenue Service all of which may change from time to time and the opinions set forth herein may not be valid in the event of changes, amendments or revisions to any of the foregoing applicable laws and interpretations thereof. We assume no obligation to supplement the opinion if any applicable laws or interpretations thereof change or are enacted after the date hereof, or if we become aware of facts that might change the opinions expressed herein after the date hereof.

This opinion is being furnished only to you in connection with the Registration Statement for use by the shareholders of Mid Atlantic and may not be used or relied upon for any other purpose or by any other person and may not be circulated, quoted, filed with any governmental body, or otherwise referred to for any other purpose without our express written consent. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

Swidler & Berlin, Chtd.

SWIDLER & BERLIN, CHARTERED

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

v.

WALTER ANDERSON,

Defendant.

Criminal No. 05-0066 (PLF)

OPINION AND ORDER

This case is before the Court on defendant Walter Anderson's Motion to Impose Conditions of Release, filed on March 10, 2005. The issue of Mr. Anderson's pretrial detention was first considered by Magistrate Judge Alan Kay, who received briefing from the parties and heard testimony on February 28 and March 3, 2005. Upon consideration of the parties' arguments and the facts before him, and in accordance with the Bail Reform Act of 1984, 18 U.S.C. §§ 3141 *et seq.*, Magistrate Judge Kay concluded that the defendant posed a substantial risk of flight and found by a preponderance of the evidence "that there exist no conditions nor combination of conditions which would assure the return of this Defendant to all future court appearances," and granted the government's motion to detain Mr. Anderson pending trial. See Detention Memorandum at 6 (Mar. 7, 2005). Defendant subsequently filed the instant motion, and the Court heard the proffers and arguments of counsel on March 11, 2005.

The Court's review of the magistrate judge's decision is *de novo*; the Court is free to use in its analysis any evidence, proffers or rationale relied on by the magistrate judge, but may hear additional evidence or proffers and employ its own analysis. United States v. Karni, 298 F.

Supp.2d 129, 130 (D.D.C. 2004) (citing United States v. Hudspeth, 143 F. Supp. 2d 32, 35-36 (D.D.C. 2001)). Upon careful consideration of the indictment returned by the grand jury, the briefs and other papers submitted by the parties, the proceedings before Magistrate Judge Kay, Judge Kay's findings of fact and conclusions of law, and the evidence and proffers before this Court, the Court finds by a preponderance of the evidence that no condition or combination of conditions will reasonably assure the appearance of the defendant as required for trial. Accordingly, the Court will deny Mr. Anderson's motion to impose conditions of release and will order him detained pending trial.

I. THE BAIL REFORM ACT

Our system of criminal justice embraces a strong presumption against detention. "'In our society liberty is the norm, and detention prior to trial or without trial is the carefully limited exception.'" United States v. Gloster, 969 F. Supp. 92, 96-97 (D.D.C. 1997) (quoting United States v. Salerno, 481 U.S. 739, 755 (1987)). The Bail Reform Act of 1984, 18 U.S.C. §§ 3141 *et seq.*, sets forth the limited circumstances in which a defendant may be so detained despite the presumption in favor of liberty. The Act provides, in pertinent part, that if a judicial officer finds by clear and convincing evidence that "no condition or combination of conditions will reasonably assure . . . the safety of any other person and the community, such judicial officer shall order the detention of the [defendant] before trial." 18 U.S.C. § 3142(e). The Act also provides for pretrial detention on the ground that no condition or combination of conditions will reasonably assure the appearance of the defendant as required. 18 U.S.C. § 3142(e). Where the government seeks pretrial detention on this basis, it has the burden of

establishing by a preponderance of the evidence that the defendant is likely to flee before trial if released. United States v. Simpkins, 826 F.2d 94, 96 (D.C. Cir. 1987) (citing United States v. Vortis, 785 F.2d 327, 328-29 (D.C. Cir.), cert. denied, 479 U.S. 841 (1986)); United States v. Westbrook, 780 F.2d 1185, 1188-89 (5th Cir. 1986). In a pretrial detention hearing conducted under the Bail Reform Act, both the government and the defendant may present evidence by way of proffer, rather than by presenting live testimony. United States v. Smith, 79 F.3d 1208, 1210 (D.C. Cir. 1996); United States v. Karni, 298 F. Supp.2d at 131.

Although in its initial motion for pretrial detention the government advanced the argument that Mr. Anderson would pose a risk to the community unless detained, Magistrate Judge Kay rejected that argument, and the government has not pursued it in proceedings before this Court.[1] Consequently, the Court's inquiry will focus on whether the government has shown by a preponderance of the evidence that there are no conditions of release that reasonably will assure defendant's appearance. In making this decision, the Court is to consider the available information concerning (1) the nature and circumstances of the offense charged; (2) the weight of the evidence against the defendant; (3) the defendant's history and characteristics; and (4) the nature and seriousness of the danger to any person or to the community that would be posed by the defendant's release. See 18 U.S.C. § 3142(g).

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[1] That argument focused on Mr. Anderson's alleged attempts to interfere with the grand jury investigation leading to his indictment in this case.

The most salient of these factors in Mr. Anderson's case are the nature and circumstances of the offense charged, and the defendant's history and characteristics. Magistrate Judge Kay focused on two these factors in considering Mr. Anderson's detention, and the Court finds it appropriate to do so as well.

II. DISCUSSION

1. Nature and Circumstances of Charged Offense

Walter Anderson is a telecommunications executive and investment fund manager who enjoyed a great deal of success with investments in the telecommunications industry during the 1980s and 1990s. He has no history of violent criminal activity and, so far as the Court knows, no prior involvement in the criminal justice system beyond a conviction on misdemeanor drug possession charges in the District of Columbia Superior Court in 2004. The grand jury's 12-count indictment accuses Mr. Anderson of executing a sophisticated scheme to avoid payment of federal taxes on nearly half a billion dollars of investment income earned over a five-year period. The alleged scheme involved the formation of "shell" corporations in the British Virgin Islands and Panama, with the purpose of concealing from the United States government Mr. Anderson's ownership of investments in several telecommunications companies whose stock prices rose dramatically during the 1990s. The indictment alleges that as a result of these investment activities, Mr. Anderson owes approximately $210 million in back taxes to the federal and District of Columbia governments. The combined statutory maximum penalties for the federal crimes with which Mr. Anderson is charged is 23 years; he could face considerable additional time if convicted of the District of Columbia tax evasion charges. At 51 years old, Mr.

Anderson potentially could spend most of the remainder of his life in prison if convicted.

Count One of the indictment charges Mr. Anderson with corruptly obstructing, impeding and impairing the due administration of the Internal Revenue Laws, in violation of 26 U.S.C. § 7212(a), *inter alia*, by first failing to file tax returns for seven successive years (1987 to 1993) and then filing false returns, by refusing to cooperate with the IRS in its efforts to collect taxes from him, by creating offshore corporations in tax haven countries in a manner that concealed his ownership of assets and obstructed efforts by the IRS to monitor his financial transactions, by filing false and fraudulent returns for certain years, by concealing information from his accountants concerning his control over certain foreign bank accounts (leading to the preparation and filing of false tax returns), and by making false and misleading misrepresentations to his accountants for purposes of misleading the IRS in connection with an IRS audit. Counts Three through Six of the indictment charge tax evasion, in violation of 26 U.S.C. § 7201, in connection with tax years 1996, 1997, 1998, and 1999. Counts Seven through Twelve charge fraud in the first degree, in violation of 22 D.C. Code § 3221(a), in connection with the same tax years and tax year 1995, and the District of Columbia use tax.

The return of the indictment was preceded by the execution of two search warrants at Mr. Anderson's home and office, on March 19, 2002 and November 7, 2003, during which were seized approximately 90 boxes worth of documents and other evidence. See Government's Motion at 9; Transcript of Return on Bench Warrant and Arraignment Before the Honorable Alan Kay, United States Magistrate Judge (Feb. 28, 2005) ("Feb. 28 Transcr.") at 15-16. The grand jury also obtained thousands of other documents by subpoena. See id. at 53. On the basis of this evidence, the grand jury found probable cause to believe that Mr. Anderson

committed the charged offenses, which offenses, the government persuasively asserts, demonstrate substantial familiarity with the commercial and financial laws of other countries, sophistication in arranging international financial transactions and in moving money across borders, and a facility for concealing the existence and location of significant quantities of money and other assets. The behavior underlying these charged offenses clearly suggests that Mr. Anderson is a flight risk. See United States v. Townsend, 897 F.2d 989, 994 (9th Cir. 1990) (nature and circumstances of charged offense "weigh[ed] against bail" where accusations were "of sophisticated criminal conduct, whose successful completion required the ability to travel internationally, to adapt easily to foreign countries, and to move assets and individuals quickly from one country to another"). The gravity of the offenses and the potential prison term also create a considerable incentive for Mr. Anderson to avoid prosecution and the likelihood of imprisonment in the event of a conviction.

2. Defendant's History and Characteristics

Mr. Anderson himself demonstrates a number of characteristics that give the Court serious doubts about its ability to assure his appearance at trial through any combination of release conditions. Those most relevant to the Court are Mr. Anderson's unique ability to flee the jurisdiction and evade detection by the United States government by virtue of his substantial assets abroad, his connections overseas, and his use of aliases and false identities; strong circumstantial evidence of his clear interest in fleeing the jurisdiction and his intent to do so; his lack of ties to the District of Columbia; and his persistent deceitfulness (or, at the very least, lack of candor and good faith) in his dealings with the government.

Mr. Anderson appears to have the ability not only to flee the District of Columbia and the United States without detection, but also to live comfortably and evade capture in foreign jurisdictions. Mr. Anderson has traveled extensively, making at least 35 trips outside the United States since March 2003. See Government's Exhibit 59. He is fluent in Spanish. He has numerous international personal and business contacts, at least some of whom are likely to provide some assistance to Mr. Anderson (if not out of personal loyalty, then perhaps in the hope of financial gain) in the event he flees the country. Mr. Anderson also appears to have access to substantial assets overseas. He owns a 19,000 square-foot mansion in Spain purchased for more than five million euros. See Government's Exhibit 55; Feb. 28 Transcr. at 26. After his house was searched on March 19, 2002, and he became aware that he was the target of an IRS investigation, Mr. Anderson had numerous valuable pieces of artwork shipped from the United States to Switzerland, and has had some of them sold. There is no information about what happened to the proceeds. See Government's Exhibit 53; Feb. 28 Transcr. at 20, 26; Transcript of Continuation of Detention Hearing Before the Honorable Alan Kay, United States Magistrate Judge (Mar. 3, 2005) ("Mar. 3 Transcr.") at 9.; Government's Motion for Detention ("Detention Mot.") at 12-13. The government also has traced $20 million in cash to two Swiss bank accounts controlled by Mr. Anderson. See Feb. 28 Transcr. at 25.

Over the course of time Mr. Anderson has employed numerous aliases, some of which could facilitate his ability to travel and conduct business incognito. These aliases include Mark Roth, William Prospero, Robert Zzylch, Robert Zzyllick, R. Langer, Ragnor Danksjold, and Dr. Paul Anderson. See Detention Mot. at 8. Although there are reasons a person with legitimate privacy concerns might wish to conceal his identity on occasion, Mr. Anderson's

persistent use of such a wide variety of names suggests an interest in something beyond mere privacy protection. Indeed, the indictment alleges that defendant used the name Mark Roth not for innocent purposes but to facilitate the commission of crimes charged in the indictment. Mr. Anderson also is alleged to have employed anonymous foreign and American mailboxes and mail forwarding services to conduct and conceal business transactions, as well as false addresses in Florida and Virginia for the purpose of evading payment of various taxes and regulatory fees. See Detention Mot. at 8.

Of great significance to the Court in finding by a preponderance of the evidence that Mr. Anderson has both the means and the intention to evade prosecution are materials seized in the searches of Mr. Anderson's residence in March 2002 and November 2003. Among other documents, those searches uncovered a variety of materials with little plausible purpose beyond Mr. Anderson's creation and use of false identities and identification for a variety of purposes, including travel abroad while concealing his true identity.

In Mr. Anderson's residence were found blank forms for the creation of a United Nations-issued "International Driving Permit" and a "private investigator" identification card; a "certificate of baptism" from the Military Ordinariate of the United States of America, with identifying information whited out; and numerous different passport photos. See Government's Exhibits 11, 12, 10. Mr. Anderson also was in possession of an identity document, bearing Mr. Anderson's photograph and the name "William Prospero," that appears to be a forgery based on a document (also in Mr. Anderson's possession) issued to a female acquaintance of Mr. Anderson,

Jeannine Benedicie. See Government's Exhibit 8; Feb. 28 Transcr. at 23-24.[2] Ms. Benedicie's grand jury testimony corroborates this impression. See Feb. 28 Transcr. at 24. Even standing alone, Mr. Anderson's possession of such false identification documents and materials necessary for the creation of further false identification might be enough to support a finding that Mr. Anderson presents a serious flight risk. See United States v. Hollender, 162 F. Supp. 2d 261, 264-65 (S.D.N.Y. 2001).

Also found in Mr. Anderson's home, however, was a passport from "British Guiana" issued to "Dr. Paul Anderson," residing at "2012 Nevada NW" in Washington, D.C, with Walter Anderson's photograph on it. See Government's Exhibit 7. The defense claims that this is a legal "camouflage passport" acquired by Mr. Anderson to conceal his United States citizenship in the event he was ever abducted by terrorists, that "British Guiana" now is a non-existent country (British Guiana became the Cooperative Republic of Guyana in 1966), and that Mr. Anderson could not actually travel on this passport. This may be the case, but it is also true that such "camouflage passports" may be used as false identification in bank transactions in other countries, where bank employees are not generally trained to spot false passports.

Even more troublesome questions are raised by the numerous books and pamphlets, seized in the searches of Mr. Anderson's home and office, that describe means of creating and obtaining false identification for purposes of concealment. See Government's

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[2] The two documents are in the same format, and have identical police stamps and signatures. The personal information on each is different and appears in a different typeface. The document carrying Mr. Anderson's picture says that it was issued to "William Prospero," who was born and resides in Paris. Based on the copies of these documents proffered by the government, they appear to be passports or other forms of identification issued by the French government.

Exhibit 14. Among the publications found were "I.D. by Mail," "Reborn Overseas: Identity Building in Europe, Australia and New Zealand," "Methods of Disguise," "The Paper Trip I: For a New You Through New ID," "Poof! How to Disappear and Create a New Identity," "The ID Forger: Homemade Birth Certificates & Other Documents Explained," "Who Are You? The Encyclopedia of Personal Identification" (the blurb reads "How to steal anyone's identity . . . where to get a 'real' birth certificate . . . how to open an untraceable offshore ATM account"); and "Bulletproof privacy: how to live hidden, happy, and free!" See id.; Government's Exhibit 15. The table of contents for the latter publication contains such section headings as "Using fake paperwork," "Privacy requires the spinning of yarns," "Work out your story in advance," "Private Travel," "Getting around overseas," and "Tax avoidance is legal" (including the subheading "The necessity of foreign entities"). The last three of these works ("The ID Forger," "Bulletproof Privacy," and "Who Are You?") appear to have been purchased by Mr. Anderson in April or May of 2002, *after* the execution of the government's first search warrant, and thus after Mr. Anderson had notice of the pending investigation. See Feb. 28 Transcr. at 20; Government's Exhibit 15.

The defense argues that possession of these "how-to" books is "insufficient to necessarily demonstrate any mastery of the creation of false identities." See Opp. at 13. While they do not demonstrate Mr. Anderson's *mastery* of these techniques, they do demonstrate conclusively an intense interest not just in personal privacy but in personal concealment through the creation of false identities, and the fact that Mr. Anderson has in the past at least engaged in the rudiments of identity creation. Given Mr. Anderson's intelligence and resourcefulness, and the considerable resources at his disposal, the Court is confident that he could plan and execute a

scheme of flight and evasion with a high probability of success. The implausibility of an innocent explanation for all the material seized in Mr. Anderson's possession further supports a finding that he had not only the ability but the interest and intent to flee. See United States v. Nichols, 897 F. Supp. 542, 548-49 (W.D. Okla. 1995) ("Although there are separate plausible innocent explanations for many of the individual items or pieces of the circumstantial evidence that Defendant committed or aided and abetted the commission of the crime charged, when the circumstantial evidence in its totality or collectively is considered, the weight of the evidence is great[.]") (finding by clear and convincing evidence that no condition or combination of conditions could reasonable assure safety of community if defendant were released).

Other materials seized in the March 2002 search corroborate the fact that Mr. Anderson's subsequent transfer of assets overseas (the artwork and the 20 million dollars in cash) was for illicit purposes, to shield assets from the authorities and/or to plan for a life after the investigation in another part of the world. Among the documents seized were books and articles with such titles as "Complete Guide to Financial Privacy," "Complete Guide to Offshore Money Havens," "Reaching offshore assets (it won't be easy)," "Capturing Cargo Adrift - Reaching Offshore Assets," and "Deck Chair on the Titanic or a Veranda on the QE2: Your Financial Journey - the Choice is Yours." See Detention Mot. at 12 & n.5.

The government further argues that Mr. Anderson has few ties to the District of Columbia, or even to the United States, and thus has little personal incentive not to flee. Mr. Anderson is not married and has no known children, he owns no residence here, and most of his business is conducted overseas. See Detention Mot. at 13. As the defense points out, however, his mother and stepfather do live in the area, and Mr. Anderson has at least maintained a

residence in the District of Columbia for many years. While the Court does not discount the significance of Mr. Anderson's relationship with his mother and stepfather, it must be acknowledged that leaving the country under these conditions would entail less of a sacrifice for Mr. Anderson than it would if he had a spouse or minor children here. In combination with the fact the Mr. Anderson actually maintains at least one residence abroad, has many social ties abroad (including some romantic involvements), and has at least considered applying for citizenship in another country (Grenada), see Detention Mot. at 10-11, Mr. Anderson's dearth of personal ties to this country and to this area must be considered to weigh as a significant factor in determining whether release on any conditions would reasonably assure his appearance for trial. See 18 U.S.C. § 3142(g)(3)(A).

Less conclusive than the aforementioned factors, but nonetheless disturbing, is Mr. Anderson's historical unwillingness to be forthright in his dealings with government officials and the Court, which has on occasions shaded into outright deception. For example, when Mr. Anderson was ordered to appear before the grand jury investigating him to provide a handwriting exemplar, his attorney moved for an emergency continuance based on the fact that Mr. Anderson was, as was represented to Chief Judge Hogan, traveling in Europe. In reality, Mr. Anderson was in the British Virgin Islands, forming another corporate entity allegedly in an effort to obstruct the grand jury investigation. See Detention Mot. at 17-18. The defense responds that Mr. Anderson traveled both to the British Virgin Islands and to Europe on that trip, and thus the representations made to Chief Judge Hogan were, strictly speaking, true. At best, the representations to Judge Hogan were only half true, and the clear effect of these statements was to give the Chief Judge a false sense of where Mr. Anderson was and why he was there, and to

prevent Judge Hogan from discovering information that might have cast suspicion on Mr. Anderson.

Mr. Anderson's application for a new passport after his was seized in the March 2002 search of his home also displays a disturbing lack of candor. See Mar. 3 Transcr. at 63. In response to the question "How was the passport lost or stolen?" Anderson replied: "Documents were removed from my house. Passport was part of these documents." When asked on the application form what efforts he had made to recover the passport, Anderson's reply was "tried to contact the person with the document." While Mr. Anderson avoided making any explicitly false statements, his clear intent was to create the false impression that his passport was simply lost or stolen, rather than seized by the government in a search of his home. As Magistrate Judge Kay pointed out at the March 3, 2005 detention hearing, Mr. Anderson is far too intelligent not to have understood the likely effects of his half-truths: "[Y]ou well know that if you put this was 'seized pursuant to a search warrant,' that the likelihood of them issuing another passport would have been remote at best." Mar. 3 Transcr. at 63.

The Court does not agree, however, that all the instances cited by the government of Mr. Anderson's resistance to the grand jury investigation should be held against him. For example, the Court notes that it is perfectly legitimate in some circumstances (and crucial to the integrity of the legal process) to resist the production of documents to the government when there are colorable legal grounds, such as attorney-client privilege, for doing so. See also In re Sealed Case (Hakim), 832 F.2d 1268, 1272-74 & n.3 (D.C. Cir. 1987). Nonetheless, at least some of Mr. Anderson's conduct appears to have crossed the line between legitimate and illegitimate interference with the mechanics of government and the processes of the grand jury and the Court.

The defense has submitted numerous letters attesting to Mr. Anderson's good character and honesty from people who have known him in a personal and a professional capacity. They detail Mr. Anderson's commitment to helping others, and describe him as "a person with the highest ethical and moral standards," "genuine, respectful, truthful, and helpful," and "loyal, respectable, and trustworthy." Like any character witness testimony, however, the opinion of such a person is just that, an opinion – an opinion all too often based on incomplete and episodic information. Given Mr. Anderson's alleged misrepresentations to his own accountants and his demonstrated willingness to deceive the government and the Chief Judge, his alleged honesty and integrity in personal and business dealings give the Court no confidence that Mr. Anderson has been forthright with the very friends and associates who vouch for him, or that he will be forthright in his future dealings with the government or this Court.

The defense has emphasized in briefs and at oral argument that Mr. Anderson has left the country and returned many times during the pendency of the government's investigation into his business and investment activities. His willingness to remain in and repeatedly return to the United States despite the risk of indictment, the defense argues, indicates that Mr. Anderson wishes to remain here to defend his good name and reputation against attack in the criminal proceeding, even if it means, ultimately, risking his freedom. The Court does not find this argument convincing. As Magistrate Judge Kay pointed out in Mr. Anderson's earlier detention hearing, a pre-indictment investigation and a post-indictment trial are two very different things: "When a person has been told by the Judge that they're to be taken to the gallows, it has a focusing impact on them." Mar. 3 Transcr. at 64. Despite Mr. Anderson's own statements before Magistrate Judge Kay that he "knew for sure there would be an indictment," the Court

finds it at least as rational to conclude, as the government has argued, that Mr. Anderson either did not believe there would ever be an indictment, believed that he would have advance notice of any indictment, or believed (as Mr. Anderson admitted) that in the event of an indictment he would be allowed to "appear voluntarily for an arraignment in a civilized way," id. at 60, in which case he would (if already prepared to flee) have ample time to decamp for another jurisdiction.

The defense also points to Mr. Anderson's history of appearing when required in recent civil and criminal proceedings against him, and of compliance with the conditions of his unsupervised release following his conviction on misdemeanor drug charges, as demonstrating his "ability to honor his court dates and comply with court-ordered conditions of release." See Defendant Walter Anderson's Motion to Impose Conditions of Release at 6. The Court is not, however, concerned with Mr. Anderson's *ability* to comply with any conditions of release. Mr. Anderson clearly is sophisticated and responsible enough to make court appearances and comply with conditions right up to the point at which he concludes that it is no longer in his interest to do so. He certainly understood that failing to make appearances or to comply with his conditions of release in his misdemeanor case would have led to increased government scrutiny in this case and restrictions on his freedom of action. The Court is concerned that Mr. Anderson may not be so willing to comply with the orders of court now that both the potential benefits of fleeing the jurisdiction and the consequences of remaining are so much greater. The Court finds by a preponderance of the evidence that Mr. Anderson poses a most serious risk of flight.

3. Conditions of Release

Having found that Mr. Anderson presents a serious risk of flight, the Court must determine whether there is any "condition or combination of conditions [that] will reasonably assure the appearance of the [defendant] as required[.]" 18 U.S.C. § 3142(e). At the Court's request, defense counsel suggested by letter of March 11, 2005, a number of conditions of release that they argue would ensure Mr. Anderson's appearance for trial. Among those proposed conditions are: (1) requiring the surrender of Mr. Anderson's passport or any other travel documents; (2) requiring Mr. Anderson to provide a general waiver of extradition; (3) prohibiting Mr. Anderson from seeking to obtain replacement travel documents, from traveling outside the District of Columbia without consent of the Court, from changing his address or telephone number without informing the Court, and from failing to appear for any Court proceedings; (4) requiring Mr. Anderson to submit to some form of monitoring regime, possibly including electronic monitoring; and (5) requiring that Mr. Anderson's parents post their $500,000 home as security for Mr. Anderson's pretrial release. Given the aforementioned risks of flight, the Court finds that none of these conditions, separately or in combination, are sufficient to provide reasonable assurance of Mr. Anderson's presence at future proceedings.

The behavioral prohibitions proposed are essentially unenforceable promises not to engage in behavior that might facilitate the defendant's flight from this jurisdiction or from the United States and, standing alone, provide no assurance that Mr. Anderson will remain here for trial. The surrender of travel documents likewise would present little impediment to flight given Mr. Anderson's already-discussed capacity to obtain or fabricate replacements. A general waiver of extradition would be effective only if Mr. Anderson were to seek refuge in a country whose

laws recognized such a waiver, and only if Mr. Anderson were actually apprehended in that country.

The Court also is not confident that any monitoring system could effectively prevent Mr. Anderson from leaving the jurisdiction. Weekly or even daily call-ins or visits to Pretrial Services would still allow the defendant a day's head-start on flight from the United States. Conventional electronic monitoring also would only apprise authorities of whether Mr. Anderson was in or out of his home, and would likewise give him ample lead time if he wished to flee. See United States v. Townsend, 897 F.2d at 994-95 ("Nor does the wearing of an electronic device offer assurance against flight occurring before measures can be taken to prevent a detected departure from the jurisdiction."). Furthermore, the Court is concerned that, given the many months (perhaps up to a year) that will elapse before he is brought to trial, Mr. Anderson could frustrate even a GPS-based monitoring system, at least for a period of time sufficient to allow him to flee.

Finally, the Court finds that the posting of Mr. Anderson's parents' $500,000 home as security would not provide a reasonable assurance of Mr. Anderson's appearance at trial. There is reason to believe that Mr. Anderson has access to financial resources far in excess of the value of his parents' house, with which he might provide for them (if he has not already) in the event that their house is seized. The government, in its letter to the Court of March 11, 2005, mentions both 20 million dollars Mr. Anderson apparently deposited into a Swiss bank account and Mr. Anderson's recent interview with *The Washington Post* in which statements made by Mr. Anderson suggest that he controls 30 to 50 million dollars in funds located overseas. See David S. Hilzenrath, Carol Loenig, and Yuki Noguchi, Tax Case Defendant Says Money Was to

do Good, THE WASHINGTON POST (Mar. 4, 2005).[3] Moreover, it is not unreasonable to expect that someone's mother, even if she were confident that he would be likely to flee, might willingly post her own home as security to protect her son from a potentially lengthy prison term.

III. CONCLUSION

Deciding whether an individual poses a substantial risk of flight before trial is a difficult exercise in probability analysis. Nonetheless, in navigating the uncertain terrain of human behavior, the Court is not without guideposts. In Magistrate Judge Facciola's words, "what is past is prologue," and the Court can look to the defendant's past behavior for some indication of what he will do in the future. See United States v. Battle, 59 F. Supp.2d 17, 20 (D.D.C. 1999). The Court recognizes Mr. Anderson's history of appearing for court when required, in both civil and criminal proceedings. On the other hand, the gravity of the situation he now is presented with far exceeds any that Mr. Anderson has faced before, and his incentive to flee the jurisdiction is concomitantly greater. The material seized from his home and the assets that already were overseas, as well as those that were moved overseas after Mr. Anderson learned he was the target of this investigation, indicate that Mr. Anderson is fully prepared to flee the jurisdiction whenever he concludes that the time is propitious. Moreover, Mr. Anderson's

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[3] The article states that in 1997, Mr. Anderson created the Foundation for the International Non-Governmental Development of Space ("FINDS") and endowed it with millions of dollars. FINDS does not currently have not-for-profit status under IRS rules. Mr. Anderson stated, according to the *Washington Post*, that the value of FINDS's assets is approximately 30 to 50 million dollars, but did not state that he controls the disposition of those assets. Mr. Anderson's endowment of FINDS is not part of the behavior underlying the offenses charged in the indictment.

past behavior also demonstrates a troubling habit of dealing with the government and the courts in evasions and half-truths.

The nature and circumstances of the offense with which Mr. Anderson is charged demonstrate not only his considerable incentive to flee and evade prosecution, but also his considerable experience in conducting business abroad and in moving money and assets across borders without detection. Moreover, Mr. Anderson's personal history and characteristics demonstrate his skill and indisputable interest in concealing his identity and evading the notice of authorities. On the evidence before it, the Court finds that Mr. Anderson has the financial wherewithal to execute any plans for flight, as well as to live abroad and escape detection.

The evidence before the Court and the arguments and proffers of the parties give the Court ample reason to doubt that Mr. Anderson would appear for trial if released, or that any set of conditions could be imposed that would reasonably ensure his continued appearance. In view of the foregoing, the Court finds by a preponderance of the evidence that there is no condition or combination of conditions that will reasonably assure the appearance of the defendant as required by this Court. Accordingly, it is hereby

ORDERED that Defendant Walter Anderson's Motion to Impose Conditions of Release is DENIED.

SO ORDERED.

PAUL L. FRIEDMAN
United States District Judge

DATE: 3/16/05

Quadra Custom Strategies, LLC

Gain Deferral Trade

June 21, 1999

Gain Deferral Trade

The gain deferral trade is designed to allow an investor to liquidate low basis stock on a tax deferred basis. The investor will recognize income as the result of the liquidation only when the partnership makes "cash" distributions that exceed the partner's outside tax basis in the partnership interest. The following is an outline of the transaction and the relevant code sections of the Internal Revenue Code ("IRC").

Step 1

- Quadra and Third Party (i.e. an offshore Hedge Fund), unrelated to the investor, form Limited Liability Company (LLC) (taxed as a partnership), a Delaware Limited Liability Company.
- Third party contributes Asset A with a basis of $500 and a current fair market value of $100 to LLC. IRC Section 721 provides that Third Party recognizes no gain/loss on the contribution of Asset A to LLC. Preferably Asset A will be a marketable security.
- Quadra receives a .1% Limited Liability Company interest in LLC. Third Party receives a 99.9% Limited Liability Company interest in LLC. Under IRC Section 722 Third Party's outside tax basis in its interest in LLC is $500.

Step 2

- Third Party sells its LLC interest to investor for $100 (the fair market value of the underlying assets) plus Third Party agrees to sell LLC a two month OTC at-the-money put on Asset A for $xx premium.
- Investor now owns a 99.9% Limited Liability Company interest in LLC with an outside tax basis of $100 (IRC Section 1012).
- A purchase of 50% or more of the Limited Liability Company interests in LLC within a 12 month period results in a technical partnership termination (IRC Section 708(b)(1)(B)).
- Third Party has a loss on the sale of the Limited Liability Company interest equal to $400.
- LLC has a $500 basis in Asset A contributed by Third Party (IRC Section 723).
- For purposes of loss recognition under IRC Section 704(c) investor, as transferee, steps into the position of Third Party (Treasury Reg. 1.704-4(d)(2)).

- Simultaneous to purchasing the Limited Liability Company interest in LLC (and in satisfaction of Bank requirement), investor contributes Asset B with a basis of $100 and a current fair market value of $500 (Aggregation of LLC interests under Rev. Rul. 84-53 and Treasury Reg. 1.704-1(b)(2)(iv)(b)) and pledges LLC interest to Bank as collateral for loan of $100 + $xx option premium. The additional securities provide increased balance sheet strength to support collateral for the loan and for additional security transactions inside LLC.

- Investor now has an outside tax basis in the Limited Liability Company interest in LLC equal to $200 + $xx ($100 paid for Third Party's LLC interest plus $100 basis in Asset B contributed plus put option premium).

- Quadra's Limited Liability Company interest in LLC is diluted.

- LLC owns assets with a total fair market value of $600 (excluding option) and a total basis of $600 (excluding option).

- LLC sells two month OTC call option on Asset at 120% of FMV.

- LLC may enter additional security and derivative trades.

Step 3 (will occur at or subsequent to option expiration)

- LLC sells all of its assets, in the same taxable year, to unrelated third party (ies). The total proceeds of the sale(s) equal $600 (excluding option).

- LLC has a capital gain of $400 (excluding option) (IRC Section 705 and Treasury Reg. 1.705-1 provide ordering rules for adjustments to outside tax basis that make adjustment for gain before adjustment for loss).

- LLC has a capital loss of $400 (excluding option).

- Gain and loss offset. Consequently, investor's tax liability from the LLC asset sale is zero. Each sale transaction will be reported separately by LLC (IRC Section 702)

- LLC invests sales proceeds in a diversified portfolio of assets.

- Subsequent income on LLC assets will flow through to investor.

- To the extent LLC distributions (cash or marketable securities) exceed investor's outside tax basis ($200 (excluding option) plus/minus any future income/loss), investor will recognize gain on distributions from LLC.

Alternative- Basis Shift

This alternative is only available when Asset A contributed to LLC by Third Party is not marketable securities. After investor contributes Asset B to LLC, LLC distributes Asset A to investor. Investor makes an IRC Section 732(d) election resulting in investor holding Asset A with a basis of $200 (excluding option) and a fair market value of $100 and LLC holding Asset B with a basis of $400 and a fair market value of $500. Investor can either sell Asset A over time or all at once and will recognize a $100 loss. LLC can sell Asset B over time or all at once and will generate a $100 gain.

Potential Hedging Transaction

Third Party may acquire call options from party unrelated to investor or LLC at a strike price and term determined by Third Party.

IMPORTANT NOTICE:

THIS REPORT IS NOT A RECOMMENDATION TO BUY OR SELL ANY SECURITY OR FINANCIAL INSTRUMENT, NOR A PREDICTOR OF FUTURE INVESTMENT RETURNS, STOCK PRICE PERFORMANCE OR PREVAILING MARKET CONDITIONS.

THE ABOVE ANALYSIS DISCUSSES THE POTENTIAL FOR PROFITS AND LOSSES THROUGH THE IMPLEMENTATION OF A VARIETY OF TRADING STRATEGIES. A POTENTIAL INVESTOR SHOULD BEAR IN MIND THAT THIS DISCUSSION IS BASED ON HYPOTHETICAL, SIMULATED OR HISTORICAL TRADING STRATEGIES. FUTURE TRADES MAY OR MAY NOT ACHIEVE THESE RESULTS DUE TO CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY.

NO REPRESENTATION IS BEING MADE THAT ANY TRADING STRATEGY IMPLEMENTED ON BEHALF OF THE PARTNERSHIP WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. AN INVESTOR SHOULD CONSIDER THAT THE STRATEGIES DESCRIBED HEREIN ARE SPECULATIVE INVESTMENTS AND COULD ENTAIL THE RISK OF LOSING ALL INVESTMENT PRINCIPAL.

AN INVESTOR SHOULD FURTHER CONSIDER THAT THE AFOREMENTIONED INVESTMENT PROGRAM IS DESIGNED FOR INDIVIDUALS WITH VERY SPECIFIC INVESTMENT OBJECTIVES AND THE SIGNIFICANT FEES AND COSTS ASSOCIATED WITH IMPLEMENTING THE CONTEMPLATED TRADING STRATEGY, MAY SUBSTANTIALLY INCREASE AN INVESTOR'S RISK AND JEOPARDIZE THE RETURNS AVAILABLE.

UBS Investment Bank

UBS BLOC
Higher returns when markets are tending sideways.

Optimisation

BLOCs are discount certificates allowing you to acquire an underlying indirectly at a discount. You receive either the underlying or cash on expiry.

BLOCs (**B**uy **L**ow **O**r **C**ash), also known as "discount certificates", are securities that allow you to invest indirectly in an underlying (e.g. a stock, exchange rate, precious metal or index) at a discount. In return for this discount, your participation in the underlying's upside is limited to a preset maximum price, known as the cap level. If the price of the underlying falls, the discount means that a BLOC outperforms a direct investment, i.e. you suffer lower losses. If, on the other hand, the price of the underlying does not move or rises only slightly prior to expiry, you achieve a higher return than with a direct investment. BLOCs are a good alternative to direct investments when equity or currency markets are tending sideways or falling/rising slightly.

Main benefits at a glance

- Investment at a discount.
- Optimized return when markets are tending sideways or falling/rising slightly.
- Risk/return profile can be optimized by choosing the appropriate cap level.

When the BLOC expires, there are two possible outcomes:

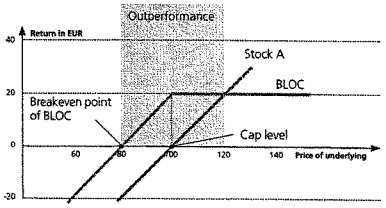
- If the underlying is priced at or above the cap level on expiry, you receive a cash payment in the amount of the cap level.
- If the underlying is priced below the cap level on expiry, you take physical delivery of the underlying. In the case of a BLOC on an index, you usually take delivery of an open-end certificate on the index in question.

The breakeven point is the purchase price of the BLOC: you make a profit if the market price of the underlying on expiry is higher than the price you paid for the BLOC. You select the appropriate cap level to optimize your individual risk/return profile.

With investment amounts starting at CHF, EUR or USD 50,000, your UBS client advisor will assist you in structuring your individual BLOC – currently available on the leading indices and blue chips in EUR and USD. You will receive a product tailored to your personal needs as regards the underlying, investment amount, time to expiry, maximum return and/or cap level.

Rolling Discount Certificates
Rolling Discount Certificates are based on a dynamic investment strategy and are usually timed to invest once a month in BLOCs with a time to expiry of one month. Rolling Discount Certificates are offered as open-end certificates, i.e. they do not have a fixed expiry date.

Payout scenario on expiry of a BLOC (discount certificate)



Optimisation
Solutions for investors with moderate to high risk tolerance who want to get more from their investment portfolios in flat markets.

Examples

You hold stock A (the underlying) and expect the price to remain flat or rise/fall slightly. You decide to switch into a BLOC investment.

Assumptions

Price of stock A at issue	EUR 100
Price of BLOC	EUR 80
Cap level	EUR 100
Time to expiry	one year
Exchange ratio	1:1

Example 1: stock A closes above the cap level
Stock A performs in line with your expectations and rises slightly. After one year, its price stands at EUR 110. The following cash payment is made:

You receive the maximum repayment amount of EUR 100. You have therefore made a profit of EUR 20 per BLOC.

Had you invested directly in stock A, you would have made a profit of EUR 10 per share.

Example 2: stock A closes below the cap level
Contrary to your expectations, the price of stock A falls and stands below the cap level at EUR 90 on expiry.

This means that you take delivery of the shares at EUR 90 each. You have therefore made a profit of EUR 10 per BLOC.

Had you invested directly in stock A, you would have made a loss of EUR 10 per share, since the market price has fallen from EUR 100 (purchase price) to EUR 90 (current price).

Examples and charts are for illustrative purposes only and do not convey any information regarding actual circumstances or profits. These examples do not take account of dividend payments or standard securities trading costs (brokerage fees, etc.).

Risks

- The BLOC's potential return is limited on the upside by a cap.
- It is possible that you will receive the underlying on expiry.
- While the potential loss is in all cases lower than with a direct investment in the underlying, there is no protection against falling prices.

This product is subject to the general risks associated with structured products. For additional information, please refer to the UBS brochure "Special risks in securities trading" or consult your client advisor.

Investor profile and suitability

- You are an experienced investor and are familiar with structured products.
- You expect flat or only slightly rising/falling markets.
- You already have an equity portfolio and would like to improve its performance in anticipation of a market tending sideways.
- You want to remain flexible and be in a position to sell your position at any time at market prices.
- You take the time to actively monitor price trends.

This brochure is for information purposes only and does not constitute an offer, a solicitation of an offer or a recommendation to buy or sell any specific product. While all the information contained herein has been obtained from reliable sources, we cannot accept any liability for its accuracy.

Structured transactions are complex and may involve a high risk of loss. This brochure takes account neither of your specific investment objectives and needs nor of your financial situation. Before entering into any transaction, you should therefore consult your advisors in legal, supervisory, fiscal, financial and accounting matters to the extent you deem necessary and arrive at your investment, hedging and trading decisions (including decisions as to the suitability of a transaction) on the basis of your own judgment and the advice provided by the specialists you have consulted. Unless expressly agreed otherwise, UBS does not act as a financial advisor or fiduciary on your behalf in any transaction.

Please note that telephone calls made to the number marked * may be recorded. If you call this number, we will assume that you agree to this business practice.

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Point Strategy

CURRENT MARKETPLACE

European investment banks have sold structured products that operate as a vehicle to buy and sell long dated OTC options on equity securities to retail and institutional investors. Two common products that allow banks to trade options with these investors are "Covered Warrants" and "BLOCS or HYPOS." Essentially, a Covered Warrant is a product that allows the banks to sell, at a very attractive level, long dated call option premium to buyers. Conversely, a BLOC (an acronym used by UBS AG) is a product sold to investors that allows the bank to buy long dated option premium at a very attractive level. A BLOC is a covered call position whereby the stock is held long and a call option has been sold against the stock. Accordingly, by repackaging and selling the BLOCS and selling Covered Warrants on the underlying stock to buyers, the bank is making a spread on OTC option premium. Given the types of purchasers for these products, the spread between buying on the "bid" and selling on the "offer" tends to be significant.

When an investment bank creates a Covered Warrant, BLOC or related structured product, the product is typically securitized so that it can be sold to investors either privately or through an exchange listing. The performance of the structured product is typically guaranteed by the bank, consequently only the large, credit worthy banks are able to capitalize on the profits associated with making a two-sided active market in long dated OTC options.

A sophisticated investment boutiques that does not have the balance sheet necessary to guarantee a structured product can seek out creative credit support solutions so that they can have direct access to investors without having to incur the bid/ask spread otherwise generated by the bank acting as the option market maker. One solution to this dilemma is for the investment boutique to create and fund (by contributing securities) a special purpose bankruptcy remote vehicle ("SPV") for each potential structured product. If done properly, this will provide the investors with comfort that the investment boutique will be able to honor the commitments associated with the structured product.

FACTS

Offshore investment fund ("Fund") investigated the opportunity to enhance return by purchasing undervalued long dated call options on certain assets and selling overvalued long dated options on certain assets.

Fund engaged UBS AG ("UBS") to assist in the structuring and placement of both long and short OTC options to targeted investors (primarily European investors).

Fund selected underlying asset/stock ("Stock") to buy and sell long dated OTC options on. Fund formed SPV and contributed Stock and received in return 100% of the equity interests of SPV. SPV is incorporated in a non-U.S. jurisdiction. SPV is designed so that it is taxed as a partnership for U.S. tax purposes.

Once SPV was long Stock (via contribution of Stock) SPV issued a covered warrant (the "Covered Warrant") on Stock. This is the equivalent of selling a long dated OTC call option on Stock. The term "covered" implies that SPV has Stock available to deliver in the event the warrant is exercised. Additionally, the Covered Warrant is structured with an indenture restriction providing that if at anytime SPV fails to hold the underlying Stock SPV must contain marketable securities with a value equal to or greater than three times the value of Stock. This restriction provides the owners of SPV with additional investment flexibility and the Covered Warrant holder with additional protection.

Pursuant to a placement agreement with UBS, UBS purchased all of the Covered Warrants with the intention of reselling them to potential investors. The Covered Warrants are embedded with put and call options of differing strike prices and maturities. Within tight limitations, these options allow either SPV or UBS to redeem the entire warrant issue. Until these options have expired, the cash in SPV that resulted from the sale of the Covered Warrant is invested in short term money market securities.

After selling option premium Fund desired to purchase a long dated call on Stock on a less costly basis than was realized on the sale of the Covered Warrant. To accomplish this Fund synthetically purchased a long dated call by selling its interest in SPV, packaged as a high yielding investment with stock price risk. To sell its interest in SPV, Fund and UBS marketed the ownership units in SPV by soliciting private placement and initiating the process of listing SPV interests on a stock exchange.

Quadra Group, LLC ("QUADRA"), had an existing working relationship with UBS and had previoulsy been approached by UBS regarding assistance in marketing SPV units to U.S. investors. Quadra introduced "TAXPAYER" to the structured product (i.e. the BLOC strategy) and TAXPAYER agreed to purchase, prior to listing on a stock exchange, 99% of the ownership SPV units if QUADRA agreed to purchase the 1% managing member/general partner interest in SPV.

The appropriate parties at UBS were introduced, by QUADRA, to TAXPAYER and TAXPAYER requested financing to purchase SPV interests. As collateral for providing the financing TAXPAYER was willing to provide UBS with a security interest in SPV interests but no other collateral. UBS agreed to look only to SPV ownership units provided that contemporaneously with the closing of the purchase of the ownership units TAXPAYER agreed to contribute additional marketable securities or cash to SPV. Depending on the assets contributed by TAXPAYER (cash versus other marketable securities) the additional collateral needed to be valued at between 50 and 100 % of the amount borrowed.

Subsequent to the closing on the ownership units, QUADRA, as managing member/general partner, continues to evaluate the economic benefit of leaving the Covered Warrants out in the market. As long as market conditions are stable and Stock price neither declines in value nor increases in value to a level at or above the Covered Warrant price, QUADRA will probably leave SPV investments in status quo. If, however, market conditions and Stock price are not favorable, QUADRA may decide to exercise the embedded call option and redeem the Covered Warrants. After a redemption, QUADRA would probably invest the remaining assets based on restrictive investment guidelines pursuant to the financing agreement with UBS.

In addition, QUADRA, as managing member/general partner, continuously evaluates the economics of leveraging the portfolio and the restrictive investment guidelines, and may elect to liquidate enough securities to make a distribution to TAXPAYER in an amount sufficient to retire the debt obligation and receive a release of the security interest. The remaining assets would continue to be invested without restrictions.

As part of the above evaluation process, QUADRA, as managing member/general partner evaluates the tax attributes of each asset held inside SPV to determine the most economical and tax beneficial means of creating liquidity and investment diversification.

From: Chuck Wilk
Sent: Wednesday, August 11, 1999 3:41 PM
To: Jeff Greenstein

POINT
STRATEGY.doc

POINT STRATEGY

Warburg, Dillon, Reed/UBS ("WDR") packages and sells a product referred to as a BLOC. A BLOC (similar products marketed by competitors include HYPOs) is normally a special purpose bankruptcy remote vehicle ("SPV") (that in our case is taxed as a partnership for U.S. tax purposes) containing a position in a U.S. security (that is traded on a stock exchange) that has issued a long dated covered warrant or option on the underlying security position. The SPV provides a securitized entity in which ownership interests are marketed as BLOC units and provide an enhanced rate of return (by coupling the return on the security with the return from the investment of the covered warrant/option proceeds). BLOCs are sometimes listed on a European stock exchange.

WDR solicits offshore hedge funds to participate in BLOCs by contributing securities held in the funds inventory to the SPV. The strong demand in Europe for the covered warrant structure on U.S. securities enables the fund to receive a premium over the underlying securities value.

A "Fund" agrees to participate with WDR in the formation of a BLOC. Fund agrees to provide securities and sell ownership units in SPV (privately or on an exchange) and WDR agrees to package the strategy, purchase the covered warrants for distribution purposes, place the OTC derivative securities and assist in the private sale or public listing of the ownership units.

After formation of the SPV and contribution of the security by Fund to the SPV, SPV issues long dated covered warrants that contain imbedded put and call options with different strike prices and maturities and investor security protection in the form of an indenture restriction that if at anytime the SPV fails to hold the underlying security the SPV must contain property with 3X the value of the underlying security. WDR purchases the warrants for distribution and the SPV invests the proceeds from writing the warrants.

WDR and Fund begin marketing the ownership units in the SPV by both soliciting private placement and beginning the process of listing on a stock exchange.

Quadra Group, LLC ("QUADRA"), that has an existing working relationship with WDR, has been approached by WDR regarding assistance in marketing and executing BLOC units to U.S. investors. Quadra introduces "TAXPAYER" to the BLOC strategy and TAXPAYER agrees to purchase, prior to listing on a stock exchange, 99% of the ownership units if QUADRA agrees to purchase the 1% managing member/general partner interest in the SPV.

UBS (the Bank) is introduced , by QUADRA, to TAXPAYER who requests financing to purchase the ownership units. As collateral for providing the purchase financing TAXPAYER is willing to provide UBS with a security interest in the SPV ownership units but no other collateral. UBS agrees to look only to the SPV ownership units provided that contemporaneously with the closing of the purchase of the ownership units TAXPAYER agrees to contribute additional assets to the SPV. Depending on the assets contributed by TAXPAYER (cash versus other marketable securities) the additional collateral will need to be valued at between 50 and 100 % of the amount borrowed.

Subsequent to the closing on the ownership units QUADRA evaluates the economic benefit of leaving the covered warrants out in the market and decides to exercise the imbedded call option

and redeem the warrants. After redemption, QUADRA invests the remaining assets using the prudent investor standard as modified by the SPV partnership/LLC agreement and unrestricted by the warrant indenture.

After evaluating the economic forecast for the performance of the assets inside the SPV relative to the loan outstanding to the TAXPAYER and the security interest held by UBS, QUADRA decides to liquidate enough securities to make a distribution to TAXPAYER in an amount sufficient to retire the debt obligation and receive a release of the security interest. The remaining assets continue to be invested.

Quadra evaluates the tax attributes of each asset held inside the SPV to determine the most economically and tax beneficial means of creating enough liquidity to make distribution to TAXPAYER.

Robert W. Johnson, IV

Reka Limited Purchase Analysis

On May 5, 2000 Robert W. Johnson, IV (the "Investor") will purchase Reka Limited ("Reka"). Currently, Reka holds the following portfolio of stocks (the "Portfolio"):

Ticker	Shares	Execution Price	5/5/00 Fair Market Value	YTD Return as of 5/5/00
VRSN	100,000	136.08	$ 13,608,330	-27%
CMGI	250,000	64.70	16,175,250	-60%
ICGE	215,000	39.24	8,437,073	-81%
CNXT	125,000	51.23	6,404,075	-21%
CMRC	230,000	56.31	12,952,289	-45%
DCLK	200,000	62.03	12,405,600	-53%
YHOO	100,000	125.21	12,520,920	-47%
CTXS	300,000	44.85	13,453,980	-31%
ATHM	450,000	17.74	7,984,935	-59%
Total			$ 103,942,452	

The substantial decline in the trading price of each of the stocks in the Portfolio over the first four months of the year due to an overall market downturn (see Exhibit A) coupled with a strong US economy and low inflation, presents a potential buying opportunity. We believe that the stock trading price of these particular companies have the potential to recover significantly over the next few years and this may be an opportune time to purchase Reka at what we believe is a considerable discount from its potential value.

In order to enhance its profits, Reka issued a 5-Year Warrant on the Portfolio with a strike level of 150% (the "Warrant"). The premium received from issuing the Warrant plus future earnings on that premium gives the Investors the opportunity to capture additional upside by purchasing Reka. Based on the recent volatility, we believe the Portfolio has the ability to increase in value in both the short and long term.

Barnville Limited and Claycroft Limited (the "Sellers") agree to sell Reka to the Investors and to provide seller financing to the investors on a recourse basis. Pursuant to the terms of the seller financing, the Investors will pledge their interest in Reka as collateral to guarantee future repayment of the purchase price for Reka. To protect against significant losses in the Portfolio, Reka may purchase a 100-day OTC Put Option with a 100% strike level on the underlying Portfolio.

Due to the current volatility of the Portfolio, purchasing an at-the-money put option will be relatively costly. To offset a portion of this expense, Reka may write an out-of-the-money 100-day Call Option on the Portfolio with a strike level at or above 110%. By entering into this collar (long put/short call) Reka (and the Investors) will mitigate their downside exposure on the Portfolio. In addition, the collar allows for some short-term upside potential up to the call strike level. After the expiration of the collar, the Portfolio is subject to full downside risk and, limited by the warrant, is subject to upside reward.

We believe that the volatility that is responsible for the substantial decline in the Portfolio's value is the same volatility that will allow it to make a quick and profitable recovery (see Exhibit B). Perhaps the most widely used measure of stock volatility is the *beta coefficient*. Using beta values for each stock in the Portfolio (see Exhibit C) shows that the chances for the Portfolio to outperform the market are quite high. The average Beta of the Portfolio for the year preceding the purchase of Reka (or since inception) relative to the S&P 500 Index is 2.0. Relative to the NASDAQ Composite Index, the average Beta is 1.6. In light of these factors, assuming strong market conditions subsequent to the purchase of Reka, we expect the Portfolio to outperform these markets anywhere from 60% to 100% thereby generating very attractive gains.

The Portfolio is currently at the low end of its trading range and has the ability to meet or beat the 50% growth expectation by the end of the five year period. Given the recent increase in the volatility of the underlying stocks reinforced by the relatively high beta coefficients and a depressed Portfolio value, we believe that the Portfolio value has the potential of reaching the warrant strike price prior to the maturity date of the warrant.

From: Jeff Greenstein
Sent: Thursday, August 05, 1999 9:54 AM
To: Chuck Wilk
Subject: point

attached are some initial thoughts, I am going to proof and review later this morning.

outline POINT.doc

POINT—Draft outline for trade description

Fund and WDR/UBS discuss the current strong demand in Europe for covered warrants and structured covered call positions (BLOC's and HYPO's) on US securities.

Fund solicits UBS to help it capitalize on the attractive premium levels associated with selling long dated options on US equities to European investors. Fund also enlists UBS help in placing the OTC derivative securities.

To satisfy warrant purchasers concern regarding Fund's ability to deliver underlying stock if the warrant is exercised, Fund creates bankruptcy remote entity and deposits asset(s) in SPV*(that must be taxed as a partnership for U.S. tax purposes)*. SPV issues a "covered warrant" or long dated call option on asset(s). UBS purchases warrant for distribution purposes. SPV deposits warrant proceeds in money market securities. Covered warrant indenture requires that if at anytime the SPV does not hold the asset(s) there must be 3X the value of the asset(s) in the SPV.

To increase marketability and liquidity the SPV files for listing on a European stock exchange.

By utilizing a separate SPV, the Fund has a security interest that may be sold at a further premium and thus enhance the Fund's return. Specifically, the equity ownership of SPV now has a payoff pattern that resembles securities regularly issued by European investment banks and commonly referred to as BLOCS or HYPOS. Essentially these instruments are combined positions that replicate the payoff pattern of a covered call writing strategy. The premium received from selling the option/warrant is used to pay the owner an attractive yield substantially above comparable securities. Depending on the price movement of the stock, the investor in these securities will either receive stock or cash at expiration. The goal of the Fund in selling its interests in SPV is to receive an attractive premium resulting from investor's interest in the payoff pattern of this combined security.

Covered warrants have imbedded put and call with different strike prices and maturities.

Taxpayer purchases 99% of SPV ownership units. Quadra purchases 1% G.P.

Taxpayer borrows purchase price from UBS using 99% of SPV as collateral.

UBS requires that contemporaneously with closing, taxpayer must contribute assets other than cash to SPV with a value equal to at least 85% (*might need to be 100%)* of sales price (cash contributions must equal 50% or sales price).

Taxpayer liquidates asset(s) and redeems warrants (under the call option).

Taxpayer invests proceeds inside SPV and services debt (purchase money debt) or repays debt and invests remaining proceeds.

From: Larry Scheinfeld
Sent: Monday, July 19, 1999 4:59 PM
To: Jeff Greenstein
Cc: Chuck Wilk
Subject: Tax Strategies

[redacted] On POINT [redacted] I hope we are making the right decision by waiting for Cravath/Skadden. I'm having second thoughts on waiting. I believe we should make a decision on either Mike or KPMG and move forward with them. Start to finish is still a long process for both of these firms, regardless of whether we have an opinion or not. I feel like we have lost the momentum of our June meeting with KPMG..We cannot compete with them as far as finding clients. It seems to me that all the Big 5 firms are selling all kinds of strategies. This was confirmed when I spoke to Nancy Jacob. I have put in a call to Jeff E. to find out about the conversion. I assume you have not spoken to Dale or Mark Watson lately.

From: Jeff Greenstein
Sent: Wednesday, August 04, 1999 9:37 AM
To: Chuck Wilk
Subject: [redacted]

sounds good. lets talk a little later

-----Original Message-----
From: Chuck Wilk
Sent: Wednesday, August 04, 1999 7:33 AM
To: Jeff Greenstein
Subject: [redacted]

Chris called from cell phone (bad connection). He told me he would call back when he was outside the Bldg. Never heard from him. I Left message at hotel this morning.

Had drinks last night with friends from Mayer Brown & Platt/ Akin, Gump, Strauss & Howard/ Millbank, Tweed, Hadley & McCoy/ Battle Fowler. Battle Fowler does a lot of real estate and some very aggressive basis savings transactions. My friend thinks they would have clients with high basis low FMV assets (the bad assets) and clients who would like our trade because they have low basis high FMV real estate. He also thinks they would be willing to opine. My friend also told me that Shearman and Sterling had been very aggressive on 704(c) transactions prior to the re-write of that section and would probably still entertain an aggressive stance.

Spoke with Chris as I was typing this e-mail. He wants us to take first crack at re-writing the two trades for Lew. Emphasis on POINT. Spoke to him about Mayer Brown & Platt. He will check but believes UBS would take their opinion and told me that there had been an occasion when MBP opined for the Bank when Cravath would not.

[redacted]

From: Chris.Donegan[redacted]
Sent: Wednesday, September 29, 1999 12:34 PM
Cc: ChuckW@[redacted]
Subject: Re[2]: POINT-BLOC

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Chuck,

where do we stand ?

Chris

_____ Reply Separator _____
Subject: RE: POINT-BLOC
Author: ChuckW (Chuck[redacted]) at unix/o2=mime
Date: 23/09/99 16:19

The BLOC prospectus is not a bottleneck. The opinion is moving forward without it but we had promised Andy that we would forward the information so that he could get comfortable with products currently in the marketplace.

I will try to locate a copy of the Pillsbury opinion and forward it to you.

-----Original Message-----
From: Chris.Donegan[redacted] [mailto:Chris.Donegan[redacted]
Sent: Thursday, September 23, 1999 6:48 AM
To: ChuckW[redacted]jeffg[redacted]
Cc: Wolfgang.Stolz[redacted]
Subject: Re: POINT-BLOC

Chuck,

1. It has never been stated to me that the BLOCs prospectus is a bottleneck for the opinion on POINT. It is merely a warrant program and global certificate - I cannot see how it really helps. However I will forward this today.

2. I need MBP as agreed. However if you have Pilsbury I would like to see it since I have never seen anything.

3. I want to be kept in the loop here. If we get an order we will execute pending appropriate quality tax opinion.

I will call you this afternoon to follow up.

Chris

_____ Reply Separator
Subject: POINT-BLOC
Author: ChuckW (ChuckW[redacted]) at unix/o2=mime
Date: 23/09/99 00:41

Chris,

Andy Kenoe at Skadden has requested a couple of times that Jeff forward

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 186

PSI-QUEL 22586

materials (prospectus etc.) on BLOC trades and/or similiar products. To date
we have not delivered the materials. Would you please forward to my attention these materials and I will get them to Andy. On the timetable for

receiving a BLOC opinion, Andy left me a voice-mail stating that it was not that they had any substantive issues but merely that he was having a hard time coordinating the schedules of the "opinion" committee members. As soon

as he completed that task he would contact me with the timetable. He did state that they would prefer being retained by the client and delivering the

opinion to the client.

[redacted]

POINT- the reason Jeff is hesitant to assist in locating the "loss" assets is because Skadden told us to limit if not eliminate our involvement in the original formation of the BLOC piece and to become involved at the point in time that we introduce the U.S. investor to the trade. This is merely an "optics" issue and not a substantive tax issue. I believe that it would be o.k. for us to introduce UBS to a hedge fund that we new had assets ("loss" assets) and at that point UBS and the fund without further Quadra involvement could form the BLOC piece.

Regards,

Chuck Wilk
Quadra Capital Management, L.P.
Phone: (206) [redacted]
Fax: (206) [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Chuck Wilk
Sent: Wednesday, September 29, 1999 12:45 PM
To: Jeff Greenstein
Subject: [redacted]

-----Original Message-----
From: Chuck Wilk
Sent: Wednesday, September 29, 1999 11:56 AM
To: 'chris.donegan[redacted]
Subject: [redacted]

[redacted]

POINT trade. Would you make sure Jeff either returns to the U.S. with the info on the BLOC trade or sends the information directly to Andy Kenoe at Skadden. Andy and I have had numerous phone calls on the status of the opinion. He is ready to go but needs one other partner to sign off. That partner wants to "play around" with the "optics" of the trade. There does not seem to be an insurmountable hurdles but we do not want the "optics" to make the trade to cumbersome to execute.

From: Jeff Greenstein
Sent: Wednesday, December 01, 1999 10:44 AM
To: Chuck Wilk
Cc: Norm Bontje
Subject: RE: Trades

[redacted]

-----Original Message-----
From: Chuck Wilk
Sent: Wednesday, December 01, 1999 8:42 AM
To: Jeff Greenstein
Cc: Norm Bontje
Subject: Trades

POINT: Since Lew responded thast he did not think Cravath had resources to work on documents what firm would you like to use (we should also talk with Bof A and get their documents as templates)? We should try to start this month since we think we need to sell SPV to Woody in January. This would include Delaware LLC documents, Covered warrant indenture and "uncovered" provision and put and call provision, purchase agreement, bank loan and note with collateral provisions, and security interest in SPV.

[redacted]

Zilkha: Who should we have build the model for his trade (including all leakage(fees, loan costs, economic risks, etc.))? We will need similiar model to deliver to Woody.

[redacted]

UBS: Tania would like whatever write-up we can supply on [redacted] and POINT so she can get up to speed prior to her arriving in Seattle next week. Any thoughts?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Chuck Wilk
Sent: Friday, December 17, 1999 6:16 PM
To: [redacted]
Cc: Larry Scheinfeld
Subject: POINT trade

Update on Status of Trade:

I had a meeting this week with Lew Steinberg of Cravath Swaine & Moore to finalize the draft of the opinion and to review the economics of the trade. All is moving forward and Lew is attempting to have a draft opinion for our review in the next two weeks (holidays permitting). Jeff Greenstein is reviewing the current economic model and after receiving his comments we should be able to deliver, after the holidays, an economic model . We believe that after reviewing the merits of this trade you will conclude, as we have, that this trade both economically and structuraly (thanks to Cravath's input) is more robust than the other trades in the marketplace. If this timeframe does not meet your objectives please let us know and we will attempt to accelerate the process. Have a safe and happy holiday season and we look forward to meeting in early 2000.

Regards,
Chuck Wilk

European American Investment Group

Creative Financial Solutions

◇

The European American Investment Group ("Euram") is an Investment Banking Group focused on serving wealth management professionals, their clients and the growth companies in which they work.

HUI 0000885

Quellos has come to HSBC to execute an arms length transaction. Quellos' stated criteria have been a "full service bank" and price. HSBC has competed successfully against Bank of America and UBS for this business.

As part of the approval of the deal, it is agreed that:
- both Haim Saban and Quellos will acknowledge that the transaction is an arms-length transaction.
- Saban counsel will acknowledge that this is an arms-length transaction.
- Our in-house counsel will opine that HSBC is acting at arms length and that HSBC is not a promoter of the transaction.
- HSBC's out-side counsel as chosen by legal, tentatively Ken Chin of Bingham Dana (previously known as Richards O'Neil), will provide an opinion of counsel stating that HSBC is not a promoter or sponsor of this transaction, rather an arms length counterparty.

The following is a draft of the disclaimer prepared by HBUS legal:

Relationship Between Parties

Each party represents to the other party on the date on which it enters into the Transaction that:

(A) **Non-Reliance.** Each party is acting for its own account, has made its own independent decision to enter into the Transaction and has determined that the Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. Each party agrees and acknowledges that it is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into the Transaction and specifically agrees and acknowledges that information and explanation relating to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into that transaction. No communication (written or oral) with the Transaction shall be deemed to be an assurance or guarantee as to the expected results, benefits, outcomes or characteristics (economic, tax or otherwise) of the Transaction.

(B) **Assessment and Understanding.** Each party is capable of assessing the merits of and understands (on its own behalf or through independent professional advice), and accepts, the terms, conditions and risks of the Transaction. Each party is also capable of assuming and assumes, the risks of the Transaction.

(C) **Status of the Parties.** Neither party is acting as a fiduciary or an adviser to the other party in respect of the Transaction.

Barnville and Jackstones prior to deal:

- Barnville Limited and Jackstones Limited are Isle of Man companies each owned by a trusts with mutually overlapping boards. Both Barnville and Jackstones are Investment Companies organized and managed by EURAM Advisors, an SFA regulated investment advisor. EURAM Advisors is a subsidiary of EURAM Bank AG from Vienna Austria. The Barnville and Jackstones boards are different enough so as not to be considered controlled by the same person or group of persons.

- Among other business lines, EURAM Advisors, using among other vehicles Barnville and Jackstones, creates and arranges transactions with institutional and high net worth clients. Some existing clients cannot use loss for tax deductions. They warehouse these losses until a buyer is located who can take advantage of the situation. In this way, the clients can recoup some of the losses. Saban, through his advisor Quellos, is one such person.

- Once Barnville purchases an entity with the shares, Jackstones will short the stock holdings into the market. In this manner, the net position of Jackstones and Barnville are flat. To

secure the short position, Barnville lends the shares that it owns through Titanium to Jackstones.

- At deal inception, Jackstones owns 99% of Titanium Trading Partners. EURAM Advisors owns 1% and is the managing member of Titanium Trading Partners. Titanium Trading Partners owns (through purchases of other entities) a portfolio of US shares with substantial tax losses.

Quellos and Saban:

- Quellos has developed Saban as a client over the past three to four years as Saban's profile has risen. Additionally, Saban is known to the US Domestic Private bank through other clients. Quellos is now Saban's principal financial and tax advisor.

- As an arms length transaction, HSBC does not have a complete knowledge of the tax treatment and is not Saban's tax advisor. However, according to information provided to Quellos, the losses in the stock basket in Titanium Trading mostly offset the gains in FFW shares moved into Titanium Acquisitions and finally into Titanium Trading. Internally to Titanium Trading, there would be zero tax due at time of sale of FFW. The basis in Titanium Acquisitions will be the sum $690 million paid for Acquisitions and the original basis of the FFW. Thus, tax is deferred until Titanium Acquisitions is liquidated. Once again, this is information provided to HSBC by Quellos. HSBC has never had a conversation about taxes with Saban.

- The deferral of ~$700-750 million for 5 to 10 years is the economic benefit that provides Quellos with its fee. Assuming a risk free rate on triple tax exempt municipal bonds of 3.75% annually compounded money for five years on $700 million, Quellos would save Saban ~$140 million after tax over five years.

Point Strategy

CURRENT MARKETPLACE

European investment banks have sold structured products that operate as a vehicle to buy and sell long dated OTC options on equity securities to retail and institutional investors. Two common products that allow banks to trade options with these investors are "Covered Warrants" and "BLOCS or HYPOS." Essentially, a Covered Warrant is a product that allows the banks to sell, at a very attractive level, long dated call option premium to buyers. Conversely, a BLOC (an acronym used by UBS AG) is a product sold to investors that allows the bank to buy long dated option premium at a very attractive level. A BLOC is a covered call position whereby the stock is held long and a call option has been sold against the stock. Accordingly, by repackaging and selling the BLOCS and selling Covered Warrants on the underlying stock to buyers, the bank is making a spread on OTC option premium. Given the types of purchasers for these products, the spread between buying on the "bid" and selling on the "offer" tends to be significant.

When an investment bank creates a Covered Warrant, BLOC or related structured product, the product is typically securitized so that it can be sold to investors either privately or through an exchange listing. The performance of the structured product is typically guaranteed by the bank, consequently only the large, creditworthy banks are able to capitalize on the profits associated with making a two-sided active market in long dated OTC options.

A sophisticated investment boutique that does not have the balance sheet necessary to guarantee a structured product can seek out creative credit support solutions so that they can have direct access to investors without having to incur the bid/ask spread otherwise generated by the bank acting as the option market maker. One solution to this dilemma is for the investment boutique to create and fund (by contributing securities) a special purpose bankruptcy remote vehicle ("SPV") for each potential structured product. If done properly, this will provide the investors with comfort that the investment boutique will be able to honor the commitments associated with the structured product.

FACTS

Offshore investment fund ("Fund") investigated the opportunity to enhance return by purchasing undervalued long dated call options on certain assets and selling overvalued long dated options on certain assets.

Fund engaged a bank to assist in the structuring and placement of both long and short OTC options to targeted investors (primarily European investors).

Fund selected underlying asset/stock ("Stock") to buy and sell long dated OTC options on. Fund formed SPV and contributed Stock and received in return equity interests of SPV. SPV may be incorporated in a non-U.S. jurisdiction, but it is designed so that it is taxed as a partnership for U.S. tax purposes.

Once SPV was long Stock (via contribution of Stock) SPV issued a covered warrant (the "Covered Warrant") on Stock. This is the equivalent of selling a long dated OTC call option on Stock. The term "covered" implies that SPV has Stock available to deliver in the event the warrant is exercised. Additionally, the Covered Warrant is structured with an indenture restriction providing that if at anytime SPV fails to hold the underlying Stock (i.e., "uncover" the Stock) SPV must contain marketable securities with a value equal to or greater than three times the amount necessary to re-"cover" the Stock. This restriction provides the owners of SPV with additional investment flexibility and the Covered Warrant holder with additional protection.

Pursuant to a placement agreement with an institutional investor ("Institution"), Institution purchased all of the Covered Warrant with the intention of reselling them to potential investors. The Covered Warrant is embedded with put and call options of differing strike prices. Within tight limitations, these options allow either SPV or Institution to redeem the entire Covered Warrant issue. Until these options have expired, the cash in SPV that resulted from the sale of the Covered Warrant is invested in short-term money market securities.

After selling an option premium, Fund desired to purchase a long dated call option premium on Stock at a level significantly less than was realized on the sale of the Covered Warrant. To accomplish this, Fund synthetically purchased a long dated call by selling its interest in SPV, packaged as a high yielding investment with stock price risk. To sell its interest in SPV, Fund and bank marketed the ownership units in SPV by soliciting private placement and initiating the process of listing SPV interests on a stock exchange.

Quellos Custom Strategies, LLC ("Quellos"), had an existing working relationship with bank and had previously been approached by bank regarding assistance in marketing SPV units to U.S. investors. Quellos introduced a U.S. investor ("Investor") to the structured product (i.e. the BLOC strategy) and Investor agreed to purchase, prior to listing on a stock exchange, the majority of the ownership SPV Quellos.

The appropriate parties at Fund were introduced, by Quellos, to Investor and Investor requested financing to purchase SPV interests. As collateral for providing the financing, Investor was willing to provide lender with a security interest in SPV interests. Lender agreed to look only to SPV ownership units provided that Investor agreed to contribute additional marketable securities or cash to SPV. Depending on the assets contributed by Investor (cash versus other marketable securities) the additional collateral needed to be valued at between 50 and 100 % of the amount borrowed.

An Investment Advisory Agreement was executed that allows Quellos to act in the best interest of the SPV.

Subsequent to the closing on the ownership units, Quellos, cognizant of the expiration date of the call option embedded in the Covered Warrant indenture, will evaluate (i) the short-term prospects for Stock's price; (ii) the unrealized investment potential of the Covered Warrant premium that, during the period of time that the Covered Warrant is outstanding, contractually must be invested in short-term money market securities; (iii) the requirement that SPV own assets in an amount three times the amount necessary to re-"cover" the stock if the Covered Warrant is ever "uncovered;" and (iv) the due date for making a "754 election" after the purchase of SPV ownership units that resulted in a technical partnership termination under section 708 (b)(1)(b) of the Internal Revenue Code of 1986, as amended (the "Code"). Balanced against or with the above is Lender's financing requirement that SPV assets be of a certain type/quality and in a certain amount.

Contemporaneous with Quellos's evaluation process, Institution will evaluate the prospects for Stock's price, other relevant economic indicators and current prospects for the sale of the Covered Warrant position it holds as a dealer to retail/wholesale purchasers. Institution may conclude that given the current economic climate exercising the put option embedded in the Covered Warrant indenture is the most prudent alternative.

If after evaluating all of the above Quellos decides to call in the Covered Warrant and/or make distributions to Investor to retire the financing, or if Institution exercises the put option embedded in the Covered Warrant indenture, Quellos will liquidate securities held in SPV in both an economic and a tax efficient manner. To this end, Quellos will attempt to balance the sale of capital gain assets to capital loss assets.

Assuming economics dictate the redemption of the Covered Warrant and/or the retirement of the financing, SPV assets remaining after such events will be invested under the supervision of Quellos for the benefit of Investor.

To hedge against the risk that Stock price will decrease, SPV may purchase a put option on Stock, (and may sell a call option to partially fund the put option price).

To free up the investment alternatives, Quellos may elect to call in the Covered Warrant and may liquidate Stock. This results in SPV asset value falling below the level required by the financing. To eliminate an event of default under the financing, Quellos may make a partnership distribution to Investor to assist Investor in retiring the financing.

As part of the strategy to free up the investment alternatives, Quellos evaluates the tax attributes of each asset held by SPV. To achieve as tax-neutral a result as possible (and thereby retain 100% of the sales proceeds to redeem the Covered Warrant and retire the financing), Quellos may determine that a sale of the loss assets (defined as those assets whose tax basis exceeds its fair market value) in balance with a sale of the gain assets (as defined as those assets whose tax basis is less than its fair market value) would be the most tax beneficial. To achieve this goal, Quellos would elect to not make a "754 election." To achieve the best overall economic result, however, Quellos evaluates the investment potential of each loss and gain asset to determine on a non-tax basis which assets should be liquidated. To reach a final conclusion, Quellos balances the tax and non-tax attributes of each asset.

After the Covered Warrant is redeemed and the financing eliminated, Quellos is free to invest the remaining SPV assets in a prudent investor manner.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

November 16, 2000

Memo to Dianne LaBasse
Howard Ross

From: Mary Pan

Re: [redacted]latinum LLC

Approval for the following transaction is recommended:

Borrower	**Amount**
[redacted]	$88.9MM
	$ 1.1MM
Total	**$90.0MM**

Facility: 180 days secured loan. 90% advance against assignment of a HSBC put/collar Agreement on a basket of Nasdaq stocks. Loan to mature at least 5 days before maturity of collar.

Purpose: To purchase a newly incorporated (Delaware)investment holding company Platinum LLC in connection with tax planning advise by Quellos group. (Quellos is J. Wolfensohn's financial advisor.)

Collateral: 1) Assignment of 100% stock interest in Platinum LLC
2) Pledge of custody account in HSBC with a basket of Stocks that have been collared by HSBC with a minimum put value of $100MM.

Pricing:

Interest:	Libor + 1%
Fee:	0.25% upfront ($225,000)

Profitability:

Fee:	$225,000 upfront
Interest	$150,000 (assuming outstanding for 2 mo)
Collar Fee	$350,000
Brokerage :	90,000
Custody:	5,000
Total	$930,000

Repayment: Interest Only. Lump sum at maturity. Prepayment allowed .

Documentation: Outside and internal counsel . (Richards O'Neil) with legal opinion Borrower's legal counsel's opinion (Cravath/Paul Weiss)

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Sources of Repayment: Sale of stock portfolio/collar with minimum value of $100MM.
Borrower's liquidity and resources ($136 MM liquidity in personal name $213MM in trusts) .

Background:

Quellos is a financial and tax advisor specializing for families with net worth in excess of $200 million. We have been working with Larry Scheinfeld of Quellos for the past few years as he handles the financial matters of James D Wolfensohn, a HSBC Private client. Mr. Scheinfeld has been advising [redacted] for the past three years especially in tax planning. In relationship with a tax planning structure, [redacted] will require a collar around on a pool of marketable securities and a $90 MM loan; Mr. Scheinfeld suggested [redacted] to work with HSBC Private Bank in this transaction.

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Transaction:

[redacted] are requesting a loan of $90 MM from HSBC to buy Platinum LLC a brand new Delaware company from Barneville Ltd, a foreign company incorporated in Isle of Man for $120 Million. Barneville is an investment holding company of US marketable securities with a substantial loss. The losses will be transferred to Platinum LLC upon acquisition by [redacted] Under a stock lending arrangement,

Barneville has loaned to Jackstones Ltd (another Isle of Man co) a stock portfolio valued at $120MM where the stocks have been shorted in the market.

Barnesville will set up an account with HSBC to receive the funds from Marvin and Larry. The funds will be transferred to Jackstones Ltd 's account with HSBC and the proceeds will be used by HSBC to repurchase the stocks from the market and subsequently transferred to Platinum LLC the stock portfolio valued at $120 million. Simultaneously, Platinum LLC will purchase a 110-180 days collar from HSBC on the basket of stocks with a minimum put value of $100 million. The stocks will be held in a HSBC custody account and collateralized to the Bank. Shortly after this transaction, Marvin will contribute to the account of Platinum LLC his personal shares with a market value of $100-$150 million. These shares will not be collateralized for this transaction although all the private shares of Platinum have been assigned to the Bank. Within the 110-180 days period, (most probably by 1/31/01) Platinum will unwind the collar and sell the underlying stock portfolio. The sales proceeds will be used to repay the $90MM owned to HSBC. The personal portfolio contributed to Platinum by the borrowers will remain in this entity for the long term.

Conditions :

All parties to this transaction must have accounts with HSBC such that the loan proceeds the stock portfolio and the collar will be controlled in-house.
Borrower's counsel (Cravath, to provide legal opinion). HSBC's attorney to provide opinion that the loan is properly documented and position is secured.

Collateral:

A basket of stocks valued at $110-120 MM consisting of the following:
American On Line
Clear Channel Comm
Conexant Systems
3COM
Doubleclick
Dell Computer
JDS Uniphase
Infospace
Liberty Digital
Lucent Technologies
Qualcom

HSBC will place a basket collar around these stocks with a minimum value of $100 MM. Our loan to value is 90% of the minimum value or $90MM. All the stocks will be placed in a Private Bank collateral custody account to secure the collar and the loan.

Risks/mitigants:

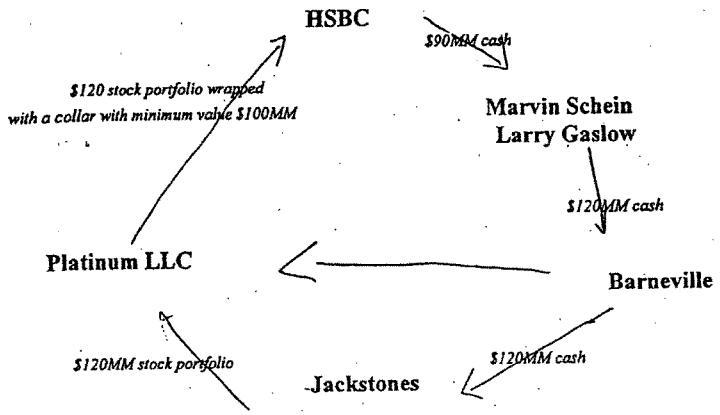
Market Risks: Volatility of the market will be eliminated with the collar giving a minimum value of $100MM.

Execution Risks: Upon unwinding of the collar transaction, any dramatic market movements during the day may erode the value of the stock portfolio. The greatest risk will be at maturity when the collar is worthless and the stock finishes at or just above the put strike price. Based on the attached analysis by Rusty Schreiber of our derivatives group, in a worst scenario, upon expiration of the collar, the portfolio would be valued at $105 million or right at or under the put value. During the liquidation period which could take up to 2 days, should there be volatility in the market, there could be potentially be a 14% approximate slippage resulting in a potential loss of $15 million and the portfolio's value might decline to $90 million which will be just sufficient to cover our loan exposure. Should for whatever reason, if there would be additional shortfall in our collateral value, we will have to rely on the personal resources of our borrowers to cover the short fall. Based on the strong net worth of our borrowers and their substantial liquidity, we believe they have more than sufficient resources to cover any potential short fall (Maximum $5 million) relating to this transaction. To give us additional protection, we are requiring this loan to mature at least 5 days before the expiration of the collar to provide ample time to liquidate the portfolio while the collar is still in place.

Recommendation:

Approval recommended in view of :

1) This loan is for two very substantial borrowers who are very strong financially with substantial liquidity, very diversified asset portfolio and virtually no debt.
2) The Loan is fully secured with a stock portfolio that has been collared against market volatility giving the Bank a minimum vale of $100 MM. Even in extreme cases, should the collar mature worthless right at the put value, and we have a worst case scenario in liquidation resulting in short fall in meeting the loan repayment. We believe that our borrowers who are personally liable for this loan will have more than sufficient resources to repay the Bank.
3) Borrowers are very substantial individuals who can provide other attractive potential business for the Private Bank such as investment management, deposits, loans trust as well as other hedging/derivative business for the Bank in future.



Transaction Assumptions

- Approximately $105mm in market value of a basket of stocks as outlined below

415,000 shares of AOL,	value $20.5mm
350,000 shares of CCU,	value $18.4mm
275,000 shares of CNXT,	value $8.7mm
310,000 shares of COMS,	value $4.7mm
170,000 shares of DCLK,	value $2.7mm
500,000 shares of DELL,	value $12.6mm
95,000 shares of INSP,	value $1.9mm
230,000 shares of JDSU,	value $17.3mm
310,000 shares of LDIG,	value $3.1mm
260,000 shares of LU,	value $5.8mm
120,000 shares of QCOM,	value $10.1mm

- Assume base basket price of $100.00 per share and 1,050,000 shares
- 180-day collar with a put purchased by the client at 100% ($100 per share) and a call sold by the client at 116% ($116 per share)
- Assuming a 90% advance rate on the put strike, or $94.5mm.

Advance Rate Determination

The advance amount on the loan depends upon:

- Reg. U limit (95% of put strike) and institutional maximum
- Value of portfolio collar (i.e. the long put/short call position) and the underlying stock basket. For our purposes it is best to set aside the upside and examine the combination of the long put and stock.

Here I will concentrate on the minimum value of the portfolio. At maturity the minimum value of the portfolio will be the strike price (K_P) or $100/share ($105 million for the whole portfolio). Since this is the value 6 months from now, K_P must be discounted to the present to ascertain the minimum value of the portfolio at any point in time. Because interest rates change over time, the issue is at what interest rate do we discount the $100/share. Based on past fluctuations, we can ascertain with a 99.5% statistical confidence level (2.33 standard deviations) the amount by which we should discount the final cash flow. To be conservative I have taken the likely borrowing rate of 7.25% and have shocked it by 1.00% on day one.

Interest Rate Volatility = 15% (current market volatility is 12%)
Standard Deviations = 2.33

Time (years)	Stressed Interest Rate (LIBOR plus 0.50%)	Time Remaining to Option Expiration (years)	Discount Factor based on the Stressed Rate	Present Value of Collateral
0.00	8.25%	0.50	96.04%	$ 100,842,000
0.25	8.58%	0.25	97.90%	$ 102,795,000

As time to maturity decreases, the discounted value of the collateral rises. At no time is the discounted value of the collateral less than 96.00% of the strike price.

Execution Risk

In the event of default during the life of the collar, the stock basket and the collar will be disposed of at the same time. Since we are dealing with a portfolio of stocks, the execution risks are greatly mitigated since the volatility of a portfolio will be much more muted than that of a single stock. Additionally, the amount of each individual stock to execute is of course much less than the total amount of the stock basket. Below is the average daily volume for every stock within the basket:

Ticker	Shares	Current Value	Daily Volume	Percentage of Daily volume
AOL	415,000	$ 20,272,750.00	11,800,000	3.52%
CCU	350,000	$ 17,981,250.00	2,700,000	12.96%
CNXT	275,000	$ 7,631,250.00	5,500,000	5.00%
COMS	310,000	$ 4,553,125.00	4,750,000	6.53%
DCLK	170,000	$ 2,698,750.00	4,200,000	4.05%
DELL	500,000	$ 12,468,750.00	33,300,000	1.50%
INSP	95,000	$ 1,846,562.50	8,200,000	1.16%
JDSU	230,000	$ 15,697,500.00	38,000,000	0.61%
LDIG	310,000	$ 3,138,750.00	400,000	77.50%
LU	260,000	$ 5,638,750.00	21,000,000	1.24%
QCOM	120,000	$ 10,567,500.00	14,000,000	0.86%

Execution risk would be determined by how far the stocks could move before the stock basket was liquidated. This can be determined by stressing the stocks within the basket to some price movement (2.33 standard deviations) over time to obtain a 99.5% confidence. That is, given a stock's volatility, the maximum expected move would be a function of time to liquidation.

Execution risk would be greatest at maturity, when the put is worthless and the stock finishes at or just above the put strike price. In the table below, we have assumed that if a stock is less than 4% of daily volume, then it would only take one day liquidate, and two days to liquidate if between 4% and 7% of daily volume, and 5 days to liquidate if above 7% of daily volume.

Standard Deviations: 2.33 (99.5% confidence level)
Discount Factor of Collateral at Maturity: 100.00%

Ticker	Market Implied Volatility	Max expected 1 day move	Max expected 2 day move	Max expected 5 day move	Value of Max Expected Slippage
AOL	52.50%	7.71%	10.90%	17.23%	$ 1,562,168
CCU	57.00%	8.37%	11.83%	18.71%	$ 3,363,840
CNXT	98.00%	14.38%	20.34%	32.16%	$ 1,552,360
COMS	75.50%	11.08%	15.67%	24.78%	$ 713,555
DCLK	121.50%	17.83%	25.22%	39.88%	$ 680,628
DELL	62.00%	9.10%	12.87%	20.35%	$ 1,134,672
INSP	129.00%	18.93%	26.78%	42.34%	$ 349,631
JDSU	82.00%	12.04%	17.02%	26.91%	$ 1,889,296
LDIG	140.00%	20.55%	29.06%	45.95%	$ 1,442,200
LU	64.50%	9.47%	13.39%	21.17%	$ 533,824
QCOM	75.75%	11.12%	15.72%	24.86%	$ 1,174,926

Three Possible Liquidation Scenarios at Maturity:

Maximum Loan Amount: $94.5mm (assuming a 90% advance on the strike price)
Maximum Stressed Loan Rate (1-month LIBOR plus 0.50%): 8.58%
Maximum Accrued Interest on a monthly payments: $675,675
Maximum Principal and Interest due: $95,175,675

1. Stock Price is at $120 per share.
   - Because the share price is above the call strike, the client will owe HSBC the difference between the Share Price (S) and the Call Strike (K_C). In this case:
     S = $120/share
     K_C = $116/share
     The call payoff would be: S - K_C = 120 – 116 = $4/share
     ⇒ 1,050,000 shares times $4/share = $4.2mm
   - In this case the stock in the custody account would be worth $126 million.

   Net Worth in Account: $121.8 million
   This net worth at maturity will be the same for any stock price above the Call Strike Price ($116/share). In effect, the value of the portfolio of collars and stock at maturity are capped at $116/share.

2. Stock Price is at $110 per share.
   - Because the share price is below the Call Strike and above the Put Strike, neither option finishes in the money. Both the put and the call are worthless.
   - In this case the stock in the custody account would be worth $115.5 million.

   Net Worth in Account: $115.5 million

3. Stock Price is at $90 per share.
   - Because the share price is below the put strike, HSBC will owe the client the difference between the Put Strike (K_P) and the Share Price (S). In this case:
     S = $90/share
     K_P = $100/share
     The put payoff would be: K_P - S = 100 - 90 = $10/share
     ⇒ 1,050,000 shares times $10/share = $10,500,000
   - In this case the stock in the custody account would be worth $94.5mm.

   Net Worth in Account: $105mm
   This net worth at maturity will be the same for any stock price below the Put Strike Price ($100/share). In effect, the value of the portfolio collars and stock at maturity have a floor at $100/share.

Given this very conservative approach, which ignores portfolio averaging effects (ie we assume that every stock in the basket trades in the same direction), we have a combined max. slippage of $14.4mm. Thus compared to the cushion of 10% ($10.5mm) given by the advance rate, this worst case scenario could lead to a loss of $3.9mm due to execution slippage.

However, if we assume that the basket does indeed behave more like a portfolio, we can use an implied volatility assumption of 50%, to get the following results for expected worst case scenarios for the stock basket:

Annualized Volatility of Stock: 50%
Standard Deviations: 2.33
Discount Factor of Collateral at Maturity: 100.00%

Business Days to Liquidate	Percentage Move	Implied Advance Percentage
1	7.34%	92.66%
2	10.38%	89.62%
5	16.41%	83.59%

Assuming that we can liquidate the stocks in 2 days, we would arrive at an approximate slippage value of $10.6mm, roughly equal to the 10% cushion offered by the 90% advance rate.

PURCHASE AGREEMENT

THIS AGREEMENT is made on this 28th day of December 1999

BETWEEN:

(1) Barnville Ltd whose registered office is at 19 Mount Havelock, Douglas Isle of Man, IM1 2QG (the "Purchaser"); and

(2) Jackstones Ltd whose registered office is at 12-14 Finch Road, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Purchase Shares" means each of the shares specified in the Appendix hereto.

"Trade Date" means 28 December 1999

"Settlement Date" means 3 January 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Trade Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD 397,201,727 (the "Purchase Price") and shall be payable by the Purchaser to the

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. Settlement

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. Governing Law and Jurisdiction

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name: PAUL MOORE
Title: DIRECTOR
Date:

For and on behalf of
Jackstones Ltd

Name:
Title: Director
Date:

Appendix

Security	RIC Code	Number of Shares	Trade Price in USD	Purchase Price in USD
Commerce One	CMRC.O	357,143	250.0000	89,285,750
Dell Computer	DELL.O	1,923,077	51.5600	99,153,850
eBay	EBAY.O	769,231	139.8700	107,592,340
MCI-Worldcom	WCOM.O	~~1,886,792~~ 1,257,861	~~55.6200~~ 80.43	101,169,787
Totals		~~4,936,243~~ 4,307,312		397,201,727

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. Settlement

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. Governing Law and Jurisdiction

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name: Paul Moore
Title: DIRECTOR
Date:

For and on behalf of
Jackstones Ltd

Name:
Title: Director
Date:

PURCHASE AGREEMENT

THIS AGREEMENT is made on this 3rd day of January 2000

BETWEEN:

(1) Barnville Ltd whose registered office is at 19 Mount Havelock, Douglas Isle of Man, IM1 2QG (the "Purchaser"); and

(2) Jackstones Ltd whose registered office is at 12-14 Finch Road, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Purchase Shares" means each of the shares specified in the Appendix hereto.

"Trade Date" means 3 January 2000

"Settlement Date" means 6 January 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Trade Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD 1,648,791,354 (the "Purchase Price") and shall be payable by the Purchaser to the

Appendix

Security	RIC Code	Number of Shares	Trade Price in USD	Purchase Price in USD
Amazon.com	AMZN.O	1,136,364	89.37	101,556,851
America On-Line	AOL.N	1,250,000	82.75	103,437,500
Broadvision	BVSN.O	546,448	189.43	103,513,645
Clear Channel	CCU.N	1,123,596	87.75	98,595,549
CMGI	CMGI.O	~~645,161~~ 322,581	~~163.22~~ 326.44	105,303,178
DoubleClick	DCLK.O	~~781,250~~ 390,625	~~134.00~~ 268.00	104,687,500
Gateway	GTW.N	1,423,488	69.37	98,747,363
Global Crossing	GBLX.O	2,083,333	49.12	102,333,317
I2 Technologies	ITWO.O	568,182	188.50	107,102,307
InternetCapital Group	ICGE.O	534,759	200.00	106,951,800
Liberty Digital	LDIG.O	1,538,462	70.12	107,876,955
Lucent Technology	LU.N	1,315,789	77.12	101,473,648
Qualcom	QCOM.O	568,182	179.31	101,880,714
QWest Communications	Q.N	2,339,181	42.12	98,526,304
Verisign	VRSN.O	526,316	190.12	100,063,198
Yahoo!	YHOO.O	224,719	475.00	106,741,525
Totals		~~16,605,230~~ 15,892,025		1,648,791,354

PURCHASE AGREEMENT

THIS AGREEMENT is made on this 10th day of January 2000

BETWEEN:

(1) Barnville Ltd whose registered office is at 19 Mount Havelock, Douglas Isle of Man, IM1 2QG (the "Purchaser"); and

(2) Jackstones Ltd whose registered office is at 12-14 Finch Road, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Purchase Shares" means each of the shares specified in the Appendix hereto.

"Trade Date" means 10 January 2000

"Settlement Date" means 13 January 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Trade Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD 1,160,339,562 (the "Purchase Price") and shall be payable by the Purchaser to the

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. Settlement

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. Governing Law and Jurisdiction

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name: PAUL HOARE
Title: DIRECTOR.
Date:

For and on behalf of
Jackstones Ltd

Name:
Title: DIRECTOR
Date:

Appendix

Security	RIC Code	Number of Shares	Trade Price in USD	Purchase Price in USD
Ariba Inc	ARBA.O	540,541	194.00	104,864,954
AtHome Inc	ATHM.O	2,484,472	40.25	99,999,998
BEA Systems	BEAS.O	1,307,190	84.00	109,803,960
Broadcom	BRCM.O	340,136	295.56	100,530,596
Exodus Communications	EXDS.O	980,392	104.00	101,960,768
Infospace	INSP.O	881,057	114.50	100,881,027
JDS Uniphase	JDSU.O	510,204	200.37	102,229,575
Juniper Networks	JNPR.O	~~313,480~~ 104,493	~~108.50~~ 325.50	34,012,580
Network Applications	NTAP.O	1,123,596	88.62	99,573,078
PMCS	PMCS.O	619,195	164.50	101,857,578
Veritas Software	VRTS.O	709,220	143.81	101,992,928
Vignette Corporation	VIGN.O	540,541	189.87	102,632,520
		~~10,580,024~~ 10,141,037		1,160,339,562

PURCHASE AGREEMENT

THIS AGREEMENT is made on this 28th day of February 2000

BETWEEN:

(1) Barnville Ltd whose registered office is at 19 Mount Havelock, Douglas Isle of Man, IM1 2QG (the "Purchaser"); and

(2) Jackstones Ltd whose registered office is at 12-14 Finch Road, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Purchase Shares" means each of the shares specified in the Appendix hereto.

"Trade Date" means 28 February 2000

"Settlement Date" means 2 March 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Trade Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD 3,399,999,848 (the "Purchase Price") and shall be payable by the Purchaser to the

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. **Settlement**

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. **Governing Law and Jurisdiction**

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name:
Title:
Date:

For and on behalf of
Jackstones Ltd

Name: Graham Murray Richard Scott
Title: Director Director
Date: 30 June 2000 30 June 2000

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. Settlement

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. Governing Law and Jurisdiction

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name: A NICHOLSON
Title: DIRECTOR
Date: 28th February 2000

For and on behalf of
Jackstones Ltd

Name:
Title:
Date:

APPENDIX

	Symbol	Stock	Business	Trade Date	Shares Traded	Trade Price	Market Value	Weighting
1	AMZN	Amazon	Internet - e commerce	28-Feb-00	1,520,913	65.7500	100,000,030	2.9%
2	AOL	America Online	Internet - portal	28-Feb-00	1,649,485	60.6250	100,000,028	2.9%
3	ARBA	Ariba Inc	Internet - business solutions	28-Feb-00	367,309	272.2500	99,999,875	2.9%
4	ATHM	At Home - Inc	Internet - media	28-Feb-00	2,996,255	33.3750	100,000,011	2.9%
5	BEAS	Bea Systems	Internet - applications	28-Feb-00	827,301	120.8750	100,000,008	2.9%
6	BGEN	Biogen Inc	Medical - Biotech	28-Feb-00	953,516	104.8750	99,999,991	2.9%
7	BRCM	Broadcom	Telecom - systems	28-Feb-00	550,964	181.5000	99,999,966	2.9%
8	BVSN	Broadvision	Internet - applications	28-Feb-00	429,069	233.0625	99,999,894	2.9%
9	CNXT	Conexant Systems	Electronic Components	28-Feb-00	1,032,924	96.8125	99,999,955	2.9%
10	COMS	3Com Corp	Networking Products	28-Feb-00	1,264,822	79.0625	99,999,989	2.9%
11	CSCO	Cisco Systems	Networking Products	28-Feb-00	765,917	130.5625	100,000,038	2.9%
12	CTXS	Citrix Systems	Applications Software	28-Feb-00	970,285	103.0625	99,999,998	2.9%
13	EBAY	EBAY	Internet - auctions	28-Feb-00	689,358	145.0625	99,999,995	2.9%
14	EMC	EMC corp/Mass	Computers - Memory	28-Feb-00	847,458	118.0000	100,000,044	2.9%
15	ETEK	E-tek Dynamics	Fiber Optics	28-Feb-00	386,100	259.0000	99,999,900	2.9%
16	EXDS	Exodus Comm.	Internet - application software	28-Feb-00	747,664	133.7500	100,000,060	2.9%
17	GBLX	Global Crossing	Fiber Optics	28-Feb-00	2,168,022	46.1250	100,000,015	2.9%
18	GTW	Gateway	Computers	28-Feb-00	1,438,849	69.5000	100,000,006	2.9%
19	IMNX	Immunex	Medical - Biotech	28-Feb-00	524,246	190.7500	99,999,925	2.9%
20	INSP	Infospace	Internet - e commerce consultin	28-Feb-00	458,453	218.1250	100,000,061	2.9%
21	ITWO	I2 Technologies	Internet - application software	28-Feb-00	590,842	169.2500	100,000,009	2.9%
22	JDSU	JDS Uniphase	Fiber Optics	28-Feb-00	395,257	253.0000	100,000,021	2.9%
23	JNPR	Juniper Networks	Internet - infrastructure	28-Feb-00	436,562	229.0625	99,999,983	2.9%
24	MFNX	Metromedia Fiber	Fiber Optics	28-Feb-00	1,327,801	75.3125	100,000,013	2.9%
25	NTAP	Network Applicatior	Network Storage	28-Feb-00	543,478	184.0000	99,999,952	2.9%
26	PMCS	PMCS	Connective technology	28-Feb-00	559,441	178.7500	100,000,079	2.9%
27	Q	QWEST	Fiber Optics	28-Feb-00	2,173,913	46.0000	99,999,998	2.9%
28	QCOM	Qualcom	Telecom - systems	28-Feb-00	698,080	143.2500	99,999,960	2.9%
29	QLGC	Qlogic	Electronic Components	28-Feb-00	706,090	141.6250	99,999,996	2.9%
30	RNWK	RealNetworks Inc	Internet Software	28-Feb-00	1,369,863	73.0000	99,999,999	2.9%
31	VIGN	Vignette Corp	Internet - application software	28-Feb-00	443,828	225.3125	99,999,996	2.9%
32	VRSN	Verisign	Computer Data Servers/System	28-Feb-00	406,401	246.0625	100,000,046	2.9%
33	VRTS	Veritas	Internet - application software	28-Feb-00	531,738	188.0625	99,999,978	2.9%
34	XLNX	Xilinx Inc	Electronic Components	28-Feb-00	1,423,488	70.2500	100,000,032	2.9%
		Totals:			32,195,692		3,399,999,848	100.0%

PURCHASE AGREEMENT

THIS AGREEMENT is made on this 6th day of June 2000

BETWEEN:

(1) Barnville Ltd whose registered office is at 19 Mount Havelock, Douglas Isle of Man, IM1 2QG (the "Purchaser"); and

(2) Jackstones Ltd whose registered office is at 12-14 Finch Road, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Purchase Shares" means each of the shares specified in the Appendix hereto.

"Trade Date" means 6 June 2000

"Settlement Date" means 9 June 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Trade Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD ~~3,000,064,125~~ 3,000,154,375 (the "Purchase Price") and shall be payable by the Purchaser to the

PM.

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. **Settlement**

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. **Governing Law and Jurisdiction**

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name: PAUL MOORE
Title: DIRECTOR
Date: 22.6.2006

For and on behalf of
Jackstones Ltd

Name: [illegible]
Title: [illegible]
Date: [illegible]

Vendor for value on the Settlement Date. The Purchase Price referable to each parcel of shares in specified in the Appendix hereto.

4. **Settlement**

On the Settlement Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee. The Vendor hereby authorises the Purchaser to set off against the Purchase Price any sum payable by the Vendor to the Purchaser on the Settlement Date.

6. **Governing Law and Jurisdiction**

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Ltd

Name:
Title:
Date:

For and on behalf of
Jackstones Ltd

Name: G. [illegible]
Title: Director
Date: 6 June 2000

APPENDIX

Stock	Name	Shares Outstanding (Millions)	Market Cap (Billions)	6/6/00 Official close	Shares to be Purchased	Total Cost
ADBE	ADOBE SYSTEMS INC	119.73	13.10	115.6875	864,000	$ 99,954,000
ADCT	ADC TELECOMMUNICATIONS INC	305.75	19.20	70.5000	1,418,000	99,969,000
AMAT	APPLIED MATERIALS INC	805.88	77.11	89.3125	1,120,000	100,030,000
AMCC	APPLIED MICRO CIRCUITS CORP	108.36	11.05	106.8125	936,000	99,976,500
AUD	AUTOMATIC DATA PROCESSING	627.21	32.61	57.6875	1,733,000	99,972,438
BRCD	BROCADE COMMUNICATIONS SYS	108.48	13.45	138.8750	720,000	99,990,000
BRCM	BROADCOM CORP-CL A	117.89	36.59	156.0000	641,000	99,996,000
CSCO	CISCO SYSTEMS INC	6,937.63	435.34	61.3125	1,631,000	100,000,588
DELL	DELL COMPUTER CORP	2,586.75	124.00	44.6875	2,238,000	100,010,625
EBAY	EBAY INC	130.18	16.73	71.8125	1,393,000	100,034,813
EMC	EMC CORP/MASS	1,041.08	138.33	65.0000	1,538,000	99,970,000
ETEK	E-TEK DYNAMICS INC	67.92	12.10	227.1250	440,000	99,935,000
FDC	FIRST DATA CORP	416.63	19.95	54.5625	1,833,000	100,013,063
INSP	INFOSPACE INC	216.58	12.25	49.7500	2,010,000	99,997,500
JDSU	JDS UNIPHASE CORP	500.30	62.94	107.0000	935,000	100,045,000
JNPR	JUNIPER NETWORKS INC	156.50	29.58	201.3750	497,000	100,083,375
MFNX	METROMEDIA FIBER NETWORK-A	472.58	15.41	36.5000	2,740,000	100,010,000
MU	MICRON TECHNOLOGY INC	523.20	32.39	77.0625	1,298,000	100,027,125
NOK	NOKIA CORP -SPON ADR	4,673.09	252.35	55.6250	1,798,000	100,013,750
NTAP	NETWORK APPLIANCE INC	304.57	19.25	73.8750	1,354,000	100,026,750
NXLK	NEXTLINK COMMUNICATIONS-A	80.62	11.73	81.1875	1,232,000	100,023,000
ORCL	ORACLE CORPORATION	2,838.41	205.25	77.0625	1,298,000	100,027,125
PCS	SPRINT CORP (PCS GROUP)	913.85	54.37	56.9375	1,756,000	99,982,250
PMCS	PMC - SIERRA INC	139.21	23.32	180.0000	556,000	100,080,000
SDLI	SDL INC	72.75	12.06	255.0000	392,000	99,960,000
SUNW	SUN MICROSYSTEMS INC	1,746.96	149.15	83.8750	1,192,000	99,979,000
TER	TERADYNE INC	172.79	17.53	92.0000	1,087,000	100,004,000
VIGN	VIGNETTE CORPORATION	193.37	10.49	40.2500	2,484,000	99,981,000
VRTS	VERITAS SOFTWARE CORP	393.60	37.29	124.8750	801,000	100,024,875
XLNX	XILINX INC	321.29	20.70	82.8125	1,208,000	100,037,500
					39,143,000	3,000,154,375

DATED 28 December 1999

- SECURITIES LENDING AGREEMENT -

THIS AGREEMENT IS MADE THE [28TH] DAY OF DECEMBER 1999

BETWEEN:

(1) **Jackstones Ltd** a company incorporated under the laws of the Isle of Man (the "Borrower"); and

(2) **Barnville Ltd** a company incorporated under the laws of the Isle of Man (the "Lender").

WHEREAS:

(1) From time to time the parties hereto may enter into transactions in which the Lender agrees to lend to the Borrower securities ("Securities") with a simultaneous agreement by the Borrower to transfer to the Lender free of payment securities equivalent to such Securities at a date certain or on demand by the Lender.

(2) Each such transaction shall be referred to herein as a "Transaction" and shall be governed by the terms of this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

(A) In this Agreement:

"Act of Insolvency" means in relation to either Party:

(i) its making a general assignment for the benefit of, or entering into a reorganisation, arrangement or composition with creditors; or

(ii) its admitting in writing that it is unable to pay its debts as they become due; or

(iii) its seeking, consenting to or acquiescing in the appointment of any trustee, administrator, receiver or liquidator or analogous officer of it or any material part of its property; or

(iv) the presentation or filing of a petition in respect of it (other than by the other Party to this Agreement in respect of any obligation under this Agreement) in any court or before any agency alleging or for the bankruptcy, winding-up or insolvency of such Party (or any analogous proceeding) or seeking any reorganisation, arrangement, composition, re-adjustment, administration, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such petition (except in the case of a petition for

winding-up or any analogous proceeding in respect of which no such 60 day period shall apply) not having been stayed or dismissed within 60 days of its filing; or

(v) the appointment of a receiver, administrator, liquidator or trustee or analogous officer of such Party over all or any material part of such Party's property; or

(vi) the convening of any meeting of its creditors for the purpose of considering a voluntary arrangement (or any analogous proceeding);

and such insolvency is material in the reasonable opinion of the Borrower;

"Business Day" means a day on which banks and securities markets are open for business generally in London and, in relation to the delivery or redelivery of any Securities or Equivalent Securities, in the place(s) where such securities are to be delivered;

"Cash Collateral Amount" means, with respect to a Transaction, the amount specified as such in the applicable Confirmation;

"Close of Business" means the time at which banks close in the business centre in which payment is to be made;

"Confirmation" shall have the meaning given in Clause 2;

"Delivery Date" means, with respect to a Transaction, the date specified as such on the Confirmation;

"Defaulting Party" shall have the meaning given in Clause 13;

"Equivalent Securities" means securities of an identical type, nominal value, description and amount to the Securities borrowed and such term shall include the certificates and other documents of or evidencing title and transfer in respect of the foregoing (as appropriate). If and to the extent that such Securities have been converted, subdivided, consolidated, redeemed, made the subject of a takeover, capitalisation issue, rights issue or event similar to any of the foregoing, the expression shall have the following meaning:

(a) in the case of conversion, subdivision or consolidation the securities into which the borrowed Securities have been converted, subdivided or consolidated;

(b) in the case of redemption, a sum of money equivalent to the proceeds of the redemption;

(c) in the case of a capitalisation issue, the borrowed Securities TOGETHER WITH the securities allotted by way of a bonus thereon;

(d) in the case of a rights issue, the borrowed Securities TOGETHER WITH the securities allotted thereon, PROVIDED THAT the Lender has paid to the Borrower all and any sums due in respect thereof;

(e) in the case of any event similar to any of the foregoing, the borrowed Securities TOGETHER WITH or replaced by a sum of money or securities equivalent to that received in respect of such borrowed Securities resulting from such event;

For the purposes of this definition, securities are equivalent to other securities where they are of an identical type, nominal value, description and amount and such term shall include the certificate and other documents of or evidencing title and transfer in respect of the foregoing (as appropriate);

"Event of Default" has the meaning given in Clause 13;

"Income" means, with respect to any Security at any time, all interest, dividends, coupons or other distributions thereon;

"Income Payment Date" means, with respect to any Securities, the date on which Income is paid by the issuer in respect to such Securities;

"Interest Rate" means, with respect to a Transaction, the rate specified as such in the Comfirmation;

"Lending Fee" means, with respect to a Transaction, the amount specified as such in the relevant Confirmation or, in the case of an Open Transaction, the amount determinable in accordance with the manner set out in the Confirmation;

"Nominee" means an agent or a nominee appointed by either Party to accept delivery of, hold or deliver Securities or Equivalent Securities on its behalf whose appointment has been notified to the other Party;

"Non-Defaulting Party" shall have the meaning given in Clause 13;

"Open Transaction" means a Transaction the Redelivery Date of which is unspecified in the Confirmation, but which the termination of which may be triggered in accordance with Clause 2(a) and (e);

"Parties"	means the Lender and the Borrower and "Party" shall be construed accordingly;
"Securities"	means, with respect to a Transaction, the type and number of securities or financial instruments set out as such in the Confirmation for that Transaction;
"Redelivery Date"	means the date upon which Securities are or are to be transferred to the Borrower in accordance with this Agreement;

(B) All headings appear for convenience only and shall not affect the interpretation hereof.

(C) Notwithstanding the use of expressions such as "Borrower", "Lender", "lend", "redeliver" etc. which are used to reflect terminology used in the market for transactions of the kind provided for in this Agreement, title to Securities "borrowed" or "lent" in accordance with this Agreement shall pass from one Party to another as provided for in this Agreement, the Party obtaining such title being obliged to redeliver Equivalent Securities.

2. INITIATION, CONFIRMATION AND TERMINATION

(a) A Transaction may be entered into orally or in writing at the initiation of either the Borrower or the Lender provided that the Securities that are to be the subject of the Transaction are acceptable to the Borrower.

(b) Upon agreeing to enter into a Transaction hereunder the Borrower shall promptly deliver to the Lender written confirmation of such Transaction (a "Confirmation") in the form set out in the Annex hereto specifying the Securities (together with identification numbers and references), the Delivery Date, the Redelivery Date (if not an Open Transaction), the Lending Fee and such other matters or supplemental terms as may be agreed between the Parties with respect to that Transaction.

The Confirmation relating to a Transaction shall, together with this Agreement, constitute prima facie evidence of the terms agreed between the Borrower and the Lender for that Transaction, unless objection is made with respect to the Confirmation promptly after receipt thereof. In event of any conflict between the terms of such Confirmation and this Agreement, the Confirmation shall prevail in respect of that Transaction and those terms only.

(c) Termination of a Transaction will be effected, in the case of an Open Transactions, on the date specified for termination in the relevant party's written demand for termination, and, in the case of fixed term Transactions, on the Redelivery Date specified in the Confirmation

(d) In the case of on demand Transactions, demand for termination shall be made by the Borrower or the Lender by telephone or otherwise, and shall provide for termination to occur after not less than the minimum period as is customarily required for the settlement or delivery of Equivalent Securities of the relevant kind.

3. LOAN OF SECURITIES

In relation to each Transaction, the Lender will lend the Securities to the Borrower and the Borrower will borrow the Securities from the Lender on the Delivery Date subject to and in accordance with the terms and conditions of this Agreement.

4. DELIVERY OF SECURITIES

On a Delivery Date for a Transaction, the Lender shall deliver the Securities or procure the delivery of the Securities to the Borrower TOGETHER WITH appropriate instruments of transfer duly stamped where necessary and such other instruments as may be requisite to vest title thereto in the Borrower. The Securities shall be deemed to have been delivered by the Lender to the Borrower on delivery to the Borrower or as it shall direct of the relevant instruments of transfer.

5. RIGHTS AND TITLE

The Parties shall execute and deliver all necessary documents and give all necessary instructions to procure that all right, title and interest in:

(i) the Securities borrowed pursuant to Clause 2; and

(ii) the Equivalent Securities redelivered pursuant to Clause 6;

shall pass from one Party to the other subject to the terms and conditions mentioned herein on delivery or redelivery of the same in accordance with this Agreement, free from all liens, charges and encumbrances. In the case of the Securities or Equivalent Securities, title to which is registered in a computer based system which provides for the recording and transfer of title to the same by way of book entries, delivery and transfer of title shall take place in accordance with the rules and procedures of such system as in force from time to time. The Party acquiring such right, title and interest shall have no obligation to return or redeliver any of the assets so acquired but, insofar as the Securities are borrowed, such Party shall be obliged, subject to the terms of this Agreement, to redeliver Equivalent Securities.

6. REDELIVERY OF EQUIVALENT SECURITIES

Subject to the provisions of Clause 9 below, the Borrower undertakes in relation each Transaction to redeliver Equivalent Securities to the Lender on the Redelivery Date for that Transaction or, if that Transaction is an Open Transaction on the date falling two Business Days immediately following the date on which the Borrower receives from the Lender a written notice requiring the termination of that Transaction. The delivery of such Equivalent Securities shall be effected in the same manner as set out in Clause 3 above.

7. LENDING FEES

On the Redelivery Date for each Transaction, the Borrower shall pay to the Lender the Lending Fee for that Transaction.

COLLATERAL

The Borrower undertakes in relation to each Transaction to pay to the Lender the applicable Cash Collateral Amount on the Delivery Date, which sum shall be held by the Lender until Equivalent Securities (in respect of the Securities borrowed under the relevant Transaction) are

redelivered by the Borrower. Subject to Clause 9 below, the Cash Collateral Amount shall be repaid at the same time as Equivalent Securities in respect of the relevant Securities borrowed are redelivered. If the Borrower fails to comply with its obligation for such redelivery of Equivalent Securities, then the Lender shall have the right to apply the Cash Collateral Amount by way of set-off against the cash equivalent value of such obligation in accordance with Clause 9 below. Interest shall accrue on the Cash Collateral Amount for the term of each Transaction at the applicable Interest Rate (compounded, if applicable, on an annual basis) and shall be due and payable on the Redelivery Date.

9. ACCELERATION DUE TO EVENT OF DEFAULT

If either an Event of Default occurs in relation to either Party, then the Redelivery Date for each Transaction shall be deemed to occur at the time such Event of Default occurs and the performance of any other obligations that the Parties may have under this Agreement at such time shall likewise be accelerated. In such an event and with immediate effect on the relevant date (the "Acceleration Date"), the redelivery obligation of the Borrower shall be replaced with an obligation of the Borrower to pay to the Lender on the Acceleration Date an amount equal to the then prevailing market value of the Equivalent Securities (as determined by reference to the official closing price(s) on such date) in respect of which such redelivery obligation had existed. Such payment obligation may be then set-off against the payment obligation of the Borrower with respect to the return of the Cash Collateral Amount and accrued interest thereon.

10. INCOME PAYMENTS

Unless otherwise agreed, where the term of a particular Transaction extends over an Income Payment Date in respect of any Securities subject to that Transaction, the Borrower shall on the date of such Income is paid by the issuer transfer to or credit to the account of the Lender an amount equal to (and in the same currency as) the amount paid by the issuer, such payment to be made without any withholding or deduction for or on account of any taxes or duties notwithstanding that a payment of such Income may be subject to such a withholding or deduction.

11. LENDER'S WARRANTIES

The Lender hereby warrants and undertakes to the Borrower on a continuing basis to the intent that such warranties shall survive the completion of any transaction contemplated herein that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from lending the Securities in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is absolutely entitled to pass full legal and beneficial ownership of the Securities to the Borrower free from all liens, charges and encumbrances;

12. BORROWER'S WARRANTIES

The Borrower hereby warrants and undertakes to the Lender on a continuing basis to the intent that such warranties shall survive the completion of any transaction contemplated herein that:

(A) it has all necessary licenses and approvals, and is duly authorised and empowered, to perform its duties and obligations under this Agreement and will do nothing prejudicial to the continuation of such authorisation, licences or approvals;

(B) it is not restricted under the terms of its constitution or in any other manner from borrowing Securities in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement;

13. EVENTS OF DEFAULT

Each of the following events occurring in relation to either Party (the "Defaulting Party", the other Party being the "Non-Defaulting Party") shall be an Event of Default for the purpose of Clause 9:

(A) the Lender or Borrower failing to comply in any material respect with its obligations under Clauses 2, 3, 4 or 5, and the Non-Defaulting Party serves written notice on the Defaulting Party and the Defaulting party fails to cure its default within the following 5 Business Days;

(B) an Act of Insolvency occurring with respect to the Lender or the Borrower and (except in the case of an Act of Insolvency which is the presentation of a petition for winding-up or any analogous proceeding or the appointment of a liquidator or analogous officer of the Defaulting Party in which case no such notice shall be required) the Non-Defaulting Party serves written notice on the Defaulting Party;

(C) any representations or warranties made by the Lender or the Borrower being incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, and the Non-Defaulting Party serves written notice on the Defaulting Party;

(D) the Lender or the Borrower admitting to the other that it is unable to, or it intends not to, perform any of its obligations hereunder and/or in respect of any loan hereunder, and the Non-Defaulting Party serves written notice on the Defaulting Party;

(E) the Lender (if appropriate) or the Borrower being suspended or expelled from membership of or participation in any securities exchange or association or other self-regulatory organisation, or suspended from dealing in securities by any government agency, and the Non-Defaulting Party serves written notice on the Defaulting Party;

(F) any of the assets of the Lender or the Borrower or the assets of investors held by or to the order of the Lender or the Borrower being transferred or ordered to be transferred to a trustee by a regulatory authority pursuant to any securities regulating legislation and the Non-Defaulting Party serves written notice on the Defaulting Party; or

(G) the Lender or the Borrower failing to perform any other of its material obligations hereunder and not remedying such failure within 30 days after the Non-Defaulting Party serves written notice requiring it to remedy such failure, and the Non-Defaulting Party serves a further written notice on the Defaulting Party.

Each Party shall notify the other if an Event of Default occurs in relation to it.

14. ASSIGNMENT

Neither Party may charge, assign or transfer all or any of its rights or obligations hereunder without the prior consent of the other Party.

15. GOVERNING LAW

This Agreement is governed by, and shall be construed in accordance with, the laws of England and each Party irrevocably submits to the exclusive jurisdiction of the English courts.

IN WITNESS WHEREOF this Agreement has been executed on behalf of the Parties hereto the day and year first before written.

Jackstones Ltd

Name:
Title:
Date:

Barnville ~~Ltd~~

Name: Dave Hooks
Title: DIRECTOR.
Date:

ANNEX

Form of Confirmation

To: _____

From: _____

Date: _____

Subject: **Transaction** **(Reference Number:)**

Dear Sirs,

The purpose of this [letter]/[facsimile]/[telex] is to set forth the terms and conditions of the above repurchase transaction entered into between us on the Trade Date referred to below.

This Confirmation supplements and forms part of and is subject to the Securities Lending Agreement as entered into between us as of 28 December 1999 as the same may be amended from time to time (the "*Agreement*"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. Words and phrases defined in the Agreement and used in this Confirmation shall have the same meaning herein as in the Agreement.

7. Trade Date:
8. Securities:
9. CUSIP, CINS or other identifying number:
10. Borrower:
11. Lender:
12. Delivery Date:
13. Redelivery Date [if not Open Transaction]:
14. Cash Collateral Amount:
15. Interest Rate:
16. Lending Fee:
17. Lender's Bank Account[s] Details:
18. [Additional Terms]:

Yours faithfully,

_____

9

ANNEX

Form of Confirmation

To: Jackstones Ltd

From: Barnville Ltd

Date: 28 December 1999

Re: Stock Loan of Technology Share Basket (Tranche 1)

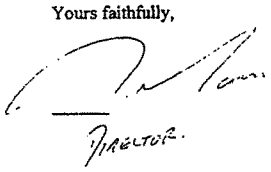
Dear Sirs,

The purpose of this letter is to set forth the terms and conditions of the above repurchase transaction entered into between us on the Trade Date referred to below. This Confirmation supplements and forms part of and is subject to the Securities Lending Agreement as entered into between us as of 28 December 1999 as the same may be amended from time to time (the "*Agreement*"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. Words and phrases defined in the Agreement and used in this Confirmation shall have the same meaning herein as in the Agreement.

1.	Trade Date:	28 December 1999
2.	Securities:	See attached Schedule A
3.	RIC Code:	See attached Schedule A
4.	Borrower:	Jackstones Ltd
5.	Lender:	Barnville Ltd
6.	Delivery Date:	3 January 2000
7.	Redelivery Date:	This transaction will be an "Open Transaction" for the purposes of the Agreement
8.	Lending Fee:	Nil
9.	Cash Collateral Amount:	USD 397,201,727
10.	Additional Terms:	Notwithstanding Clause 9 of the Agreement, the Borrower shall not be liable to account to the lender for any income that may arise during the

term of the Transaction on any of the Securities.

Yours faithfully,



Schedule A

Security	RIC Code	Number of Shares	Market Close 28 Dec 1999	Security Valuation
Commerce One	CMRC.O	357,143	250.0000	89,285,750
Dell Computer	DELL.O	1,923,077	51.5600	99,153,850
eBay	EBAY.O	769,231	139.8700	107,592,340
MCI-Worldcom	WCOM.O	1,257,861	80.43	101,169,787
		4,307,312		**397,201,727**

ANNEX

Form of Confirmation

To: Jackstones Ltd

From: Barnville Ltd

Date: 03 January 2000

Subject: Stock Loan of Technology Share Basket (Tranche 2)

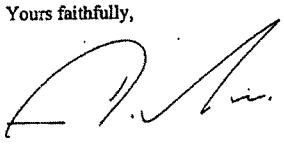
Dear Sirs,

The purpose of this letter is to set forth the terms and conditions of the above repurchase transaction entered into between us on the Trade Date referred to below. This Confirmation supplements and forms part of and is subject to the Securities Lending Agreement as entered into between us as of 28 December 1999 as the same may be amended from time to time (the "*Agreement*"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. Words and phrases defined in the Agreement and used in this Confirmation shall have the same meaning herein as in the Agreement.

1.	Trade Date:	3 January 2000
2.	Securities:	See attached Schedule A
3.	RIC Code:	See attached Schedule A
4.	Borrower:	Jackstones Ltd
5.	Lender:	Barnville Ltd
6.	Delivery Date:	6 January 2000
7.	Redelivery Date:	This transaction will be an "Open Transaction" for the purposes of the Agreement
8.	Lending Fee:	Nil
9.	Cash Collateral Amount:	USD 1,648,791,354
10.	Additional Terms:	Notwithstanding Clause 9 of the Agreement, the Borrower shall not be liable to account to the lender for any income that may arise during the

term of the Transaction on any of the Securities.

Yours faithfully,



Schedule A

Security	RIC Code	Number of Shares	Market Close 03 Jan 2000	Security Valuation
Amazon.com	AMZN.O	1,136,364	89.37	101,556,851
America On-Line	AOL.N	1,250,000	82.75	103,437,500
Broadvision	BVSN.O	546,448	189.43	103,513,645
Clear Channel	CCU.N	1,123,596	87.75	98,595,549
CMGI	CMGI.O	322,580	326.44	105,303,178
DoubleClick	DCLK.O	390,625	268.00	104,687,500
Gateway	GTW.N	1,423,488	69.37	98,747,363
Global Crossing	GBLX.O	2,083,333	49.12	102,333,317
I2 Technologies	ITWO.O	568,182	188.50	107,102,307
Internet Capital Group	ICGE.O	534,759	200.00	106,951,800
Liberty Digital	LDIG.O	1,538,462	70.12	107,876,955
Lucent Technology	LU.N	1,315,789	77.12	101,473,648
Qualcom	QCOM.O	568,182	179.31	101,880,714
QWest Communications	Q.N	2,339,181	42.12	98,526,304
Verisign	VRSN.O	526,316	190.12	100,063,198
Yahoo!	YHOO.O	224,719	475.00	106,741,525
		15,892,024		**1,648,791,354**

ANNEX

Form of Confirmation

[illegible] Ltd
[illegible] Ltd
[illegible] January 2000
[illegible] of Technology Share Basket [Tranche 3]

Dear Sirs,

The purpose of this letter is to set forth the terms and conditions of the above repurchase transaction entered into between us on the Trade Date referred to below. This Confirmation supplements and forms part of and is subject to the Securities Lending Agreement as entered into between us as of 28 December 1999 as the same may be amended from time to time (the "*Agreement*"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. Words and phrases defined in the Agreement and used in this Confirmation shall have the same meaning herein as in the Agreement.

1.	Trade Date:	10 January 2000
2.	Securities:	See attached Schedule A
3.	RIC Code:	See attached Schedule A
4.	Borrower:	Jackstones Ltd
5.	Lender:	Barnville Ltd
6.	Delivery Date:	13 January 2000
7.	Redelivery Date:	This transaction will be an "Open Transaction" for the purposes of the Agreement
8.	Lending Fee:	Nil
9.	Cash Collateral Amount:	USD 1,160,339,562
10.	Additional Terms:	Notwithstanding Clause 9 of the Agreement, the Borrower shall not be liable to account to the lender for any income that may arise during the

term of the Transaction on any of the Securities.

Yours faithfully,

DIRECTOR

Schedule A

Security	RIC Code	Number of Shares	Market Close 10 Jan 2000	Security Valuation
Ariba Inc	ARBA.O	540,541	194.00	104,864,954
AtHome Inc	ATHM.O	2,484,472	40.25	99,999,998
BEA Systems	BEAS.O	1,307,190	84.00	109,803,960
Broadcom	BRCM.O	340,136	295.56	100,530,596
Exodus Communications	EXDS.O	980,392	104.00	101,960,768
Infospace	INSP.O	881,057	114.50	100,881,027
JDS Uniphase	JDSU.O	510,204	200.37	102,229,575
Juniper Networks	JNPR.O	104,493	325.50	34,012,580
Network Applications	NTAP.O	1,123,596	88.62	99,573,078
PMCS	PMCS.O	619,195	164.50	101,857,578
Veritas Software	VRTS.O	709,220	143.81	101,992,928
Vignette Corporation	VIGN.O	540,541	189.87	102,632,520
		10,141,037		**1,160,339,562**

ANNEX

Form of Confirmation

To: **Jackstones Ltd**
From: **Barnville Ltd**
Date: **28 February 2000**
Subject: **Stock Loan of Technology Share Basket**

Dear Sirs,

The purpose of this letter is to set forth the terms and conditions of the above repurchase transaction entered into between us on the Trade Date referred to below. This Confirmation supplements and forms part of and is subject to the Securities Lending Agreement as entered into between us as of 28 December 1999 as the same may be amended from time to time (the "*Agreement*"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. Words and phrases defined in the Agreement and used in this Confirmation shall have the same meaning herein as in the Agreement.

1.	Trade Date:	28 February 2000
2.	Securities:	See attached Schedule A
3.	RIC Code:	See attached Schedule A
4.	Borrower:	Jackstones Ltd
5.	Lender:	Barnville Ltd
6.	Delivery Date:	2 March 2000
7.	Redelivery Date:	This transaction will be an "Open Transaction" for the purposes of the Agreement
8.	Lending Fee:	Nil
9.	Cash Collateral Amount:	USD 3,399,999,848
10.	Additional Terms:	Notwithstanding Clause 9 of the Agreement, the Borrower shall not be liable to account to the lender for any income that may arise during the

term of the Transaction on any of the Securities.

Yours faithfully,

Schedule A

STOCK PORTFOLIO
Tranche 2

	Symbol	Stock	Business	Trade Date	Shares Traded	Trade Price	Market Value	Weighting
1	AMZN	Amazon	Internet - e commerce	29-Feb-00	1,520,913	65.7500	100,000,030	2.9%
2	AOL	America Online	Internet - portal	29-Feb-00	1,649,485	60.6250	100,000,028	2.9%
3	ARBA	Ariba Inc	Internet - business solutions	29-Feb-00	367,309	272.2500	99,999,875	2.9%
4	ATHM	At Home - Inc	Internet - media	29-Feb-00	2,996,255	33.3750	100,000,011	2.9%
5	BEAS	Bea Systems	Internet - applications	29-Feb-00	827,301	120.8750	100,000,008	2.9%
6	BGEN	Biogen Inc	Medical - Biotech	29-Feb-00	953,516	104.8750	99,999,991	2.9%
7	BRCM	Broadcom	Telecom - systems	29-Feb-00	550,964	181.5000	99,999,966	2.9%
8	BVSN	Broadvision	Internet - applications	29-Feb-00	429,069	233.0625	99,999,894	2.9%
9	CNXT	Conexant Systems	Electronic Components	29-Feb-00	1,032,924	96.8125	99,999,955	2.9%
10	COMS	3Com Corp	Networking Products	29-Feb-00	1,264,822	79.0625	99,999,989	2.9%
11	CSCO	Cisco Systems	Networking Products	29-Feb-00	765,917	130.5625	100,000,038	2.9%
12	CTXS	Citrix Systems	Applications Software	29-Feb-00	970,285	103.0625	99,999,998	2.9%
13	EBAY	EBAY	Internet - auctions	29-Feb-00	689,358	145.0625	99,999,995	2.9%
14	EMC	EMC corp/Mass	Computers - Memory	29-Feb-00	847,458	118.0000	100,000,044	2.9%
15	ETEK	E-tek Dynamics	Fiber Optics	29-Feb-00	386,100	259.0000	99,999,900	2.9%
16	EXDS	Exodus Comm.	Internet - application software	29-Feb-00	747,664	133.7500	100,000,060	2.9%
17	GBLX	Global Crossing	Fiber Optics	29-Feb-00	2,168,022	46.1250	100,000,015	2.9%
18	GTW	Gateway	Computers	29-Feb-00	1,438,849	69.5000	100,000,006	2.9%
19	IMNX	Immunex	Medical - Biotech	29-Feb-00	524,246	190.7500	99,999,925	2.9%
20	INSP	Infospace	Internet - e commerce consultin	29-Feb-00	458,453	218.1250	100,000,061	2.9%
21	ITWO	I2 Technologies	Internet - application software	29-Feb-00	590,842	169.2500	100,000,009	2.9%
22	JDSU	JDS Uniphase	Fiber Optics	29-Feb-00	395,257	253.0000	100,000,021	2.9%
23	JNPR	Juniper Networks	Internet - infrastructure	29-Feb-00	436,562	229.0625	99,999,983	2.9%
24	MFNX	Metromedia Fiber	Fiber Optics	29-Feb-00	1,327,801	75.3125	100,000,013	2.9%
25	NTAP	Network Applicatior	Network Storage	29-Feb-00	543,478	184.0000	99,999,952	2.9%
26	PMCS	PMCS	Connective technology	29-Feb-00	559,441	178.7500	100,000,079	2.9%
27	Q	QWEST	Fiber Optics	29-Feb-00	2,173,913	46.0000	99,999,998	2.9%
28	QCOM	Qualcom	Telecom - systems	29-Feb-00	698,080	143.2500	99,999,960	2.9%
29	QLGC	Qlogic	Electronic Components	29-Feb-00	706,090	141.6250	99,999,996	2.9%
30	RNWK	RealNetworks Inc	Internet Software	29-Feb-00	1,369,863	73.0000	99,999,999	2.9%
31	VIGN	Vignette Corp	Internet - application software	29-Feb-00	443,828	225.3125	99,999,996	2.9%
32	VRSN	Verisign	Computer Data Servers/System	29-Feb-00	406,401	246.0625	100,000,046	2.9%
33	VRTS	Veritas	Internet - application software	29-Feb-00	531,738	188.0625	99,999,978	2.9%
34	XLNX	Xilinx Inc	Electronic Components	29-Feb-00	1,423,488	70.2500	100,000,032	2.9%
		Totals:			32,195,692		3,399,999,848	100.0%

ANNEX

Form of Confirmation

To: Jackstones Ltd

From: Barnville Ltd

Date: 6 June 2000

Subject: Stock Loan of Technology Share Basket

Dear Sirs,

The purpose of this letter is to set forth the terms and conditions of the above repurchase transaction entered into between us on the Trade Date referred to below. This Confirmation supplements and forms part of and is subject to the Securities Lending Agreement as entered into between us as of 28 December 1999 as the same may be amended from time to time (the "*Agreement*"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. Words and phrases defined in the Agreement and used in this Confirmation shall have the same meaning herein as in the Agreement.

1.	Trade Date:	6 June 2000
2.	Securities:	See attached Schedule A
3.	RIC Code:	See attached Schedule A
4.	Borrower:	Jackstones Ltd
5.	Lender:	Barnville Ltd
6.	Delivery Date:	9 June 2000
7.	Redelivery Date:	This transaction will be an "Open Transaction" for the purposes of the Agreement
8.	Lending Fee:	Nil
9.	Cash Collateral Amount:	USD 3,000,154,375
10.	Additional Terms:	Notwithstanding Clause 9 of the Agreement, the Borrower shall not be liable to account to the lender for any income that may arise during the

term of the Transaction on any of the Securities.

Yours faithfully,

		Number of Shares	Trade Price in USD	Purchase Price in USD
Adobe Systems Inc	ADBE	864,000	115.6875	99,954,000
ADC Telecommunications Inc	ADCT	1,418,000	70.5000	99,969,000
Applied Materials Inc	AMAT	1,120,000	89.3125	100,030,000
Applied Micro Circuits Inc	AMCC	936,000	106.8125	99,976,500
Automatic Data Processing	AUD	1,733,000	57.6875	99,972,438
Brocade Communication Systems	BRCD	720,000	138.8750	99,990,000
Broadcom Corp – ClassA	BRCM	641,000	156.0000	99,996,000
Cisco Systems	CSCO	1,631,000	61.3125	100,000,688
Dell Computer	DELL	2,238,000	44.6875	100,010,625
EBAY Inc	EBAY	1,393,000	71.8125	100,034,813
EMC Corp	EMC	1,538,000	65.0000	99,970,000
E-Tek Dynamics Inc	ETEK	440,000	227.1250	99,935,000
First Data Corp	FDC	1,833,000	54.5625	100,013,063
InfoSpace Inc	INSP	2,010,000	49.7500	99,997,500
JDS Uniphase Corp	JDSU	935,000	107.0000	100,045,000
Juniper Networks Inc	JNPR	497,000	201.3750	100,083,375
Metromedia Fiber Networks A	MFNX	2,740,000	36.5000	100,010,000
Micron Technology Inc	MU	1,298,000	77.0625	100,027,125
Nokia Corp – Spon ADR	NOK	1,798,000	55.6250	100,013,750
Network Appliance Inc	NTAP	1,354,000	73.8750	100,026,750
Nextlink Communications - A	NXLK	1,232,000	81.1875	100,023,000
Oracle Corporation	ORCL	1,298,000	77.0625	100,027,125
Sprint Corp (PCS Group)	PCS	1,756,000	56.9375	99,982,250
PMC-Sierra Inc	PMCS	556,000	180.0000	100,080,000
SDL Inc	SDLI	392,000	255.0000	99,960,000
Sun MicroSystems Inc	SUNW	1,192,000	83.8750	99,979,000
Teradyne Inc	TER	1,087,000	92.0000	100,004,000
Veritas Software Corp	VRTS	2,484,000	40.2500	99,981,000
	VIGN	801,000	124.8750	100,024,875
	XLNX	1,208,000	82.8125	100,037,500
		39,143,000		$ 3,000,154,375

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Stuber, Laura (HSGAC)

From: Staddon John LON [John.Staddon[redacted]
Sent: Saturday, July 15, 2006 2:52 AM
To: Stuber, Laura (HSGAC)
Subject: Reply to your letter
Attachments: PDF_from.pdf; PDF_from.pdf

– PRIVATE AND CONFIDENTIAL –

Dear Ms Stuber,

With regard to your letter of July 6, 2006, I welcome the opportunity to clarify certain matters relating to the transactional activity referenced by you.

However, before addressing each of the specific questions you raise, I think it would be helpful to place into context the role that Euram played in the course of these transactions.

Background and Euram's Role

Euram (utilizing your definition of the term) is a financial services group, one of the businesses of which is a structured products operation that among other things provides execution services for third party transactions. Soon after its inception in late 1999, Euram was approached by the Quellos organization to provide such services for a transactional structure Quellos had developed with US counsel and which it had expected to implement with its own client base. Specifically, the structure in question (which was generically referred to by Quellos as the "Point" strategy) involved the deployment of two offshore entities which would engage in a mutual trading program relating to US publicly traded securities (discussed more fully below). This would form the setting for a series of subsequent transactions involving Quellos clients for whom we understood various advantages, including those of a tax nature, were purportedly available as a result.

It bears stating at the outset that Euram had no involvement in the structure's conceptual development and played no part in determining the technical feasibility of the proposed structure or advising or assisting Quellos to that effect. Euram did not market the proposed transaction to any potential investor and in fact never had any contact with any that participated in the structure. Euram relied upon Quellos for assurances that the structure met U.S. tax, legal, and reporting requirements.

Be that as it may, Euram did assist Quellos in acting as the interface with Barnville and Jackstones, both in relation to the initial trading activity and in connection with the subsequent actions of those companies with Quellos clients. In so doing, Euram acted solely on directions of Quellos, including the content and timing of all trading activity and the subsequent transactional steps involving Quellos clients.

Euram also assisted Quellos in the production of draft documentation for some aspects of the structure which we understand were presented to clients in connection with any transaction.

Reply to Questions

Adopting the same formulation as in your letter:

1. Euram had no direct relationship with any of these entities. Euram was involved in seeking the

services of a third party corporate administrator with suitable contacts in the Isle of Man who obtained the use of Barnville and Jackstones for the trading activity in question. Claycroft and Dalecroft are known to us as companies that were typically used by the Isle of Man administrator (Treskillion Trust Company) as holders of subscriber shares for newly formed entities.

1. Euram has no and has never had any ownership interest in any of these entities. Nor did Euram control any of them. On one occasion Euram did obtain a power of attorney from the directors of Barnville and Jackstones to execute certain transaction documents on their behalf outside of Isle of Man working hours.

2. We believe that Barnville and Jackstones were ultimately held under common beneficial ownership, although we do not have personal knowledge of the identity of the beneficial owner or owners. We likewise do not know the beneficial owners of Claycroft and Dalecroft.

3. I will address questions a. – c. collectively since they relate to the same structural features. Copies of the Purchase Agreements, Securities Lending Agreement and trade confirmations to which you refer are attached. (with one exception, as we have been unable so far to locate a copy of the Securities Lending Agreement dated June 6, 2000).

   It was always the case that the portfolio of securities traded by and between Barnville and Jackstones was of a purely contractual book-entry nature. This was understood by all concerned given the dollar values of the portfolios in question. The sale and purchase of the securities were accomplished through contractual commitments (the Purchase Agreements and related confirmations) which gave rise to legal obligations which were recorded in the entities' respective books and records. The settlement of these sale and purchase obligations (of delivery on the part of Jackstones and of payment of the purchase price by Barnville) were settled by a process of netting with equal and opposite obligations under stock lending transactions (the Securities Lending Agreements) entered into between them at the same time. Though the transactions occurred off-market, all prices for the constituent shares were determined by reference to market-published prices. In response specifically to question 4.b., these amounts are shown on the enclosed documents.

   Put another way, Jackstones sold short the underlying securities to Barnville, which it "covered" through borrowing those same securities back from Barnville under the stock loan. From Barnville's perspective, it was long the stock, but subject to the stock loan with Jackstones. Its purchase of those shares from Jackstones was funded by the cash collateral that Barnville was due to receive from Jackstones under this stock loan. For Jackstones, this creates a short position which renders it liable to re-deliver the stock upon any recall by Barnville or its assignee.

   Because the transactions were conducted in this manner through the enclosed documents, no physical transfer of shares were made. No transactions took place over any exchange and no cash transfers passed between bank accounts of the two companies. This however was always understood to be the case; Euram obtained assurances from Quellos that the book-entry nature of these transactions had been known by the counsel with whom they developed the strategy and that it would be disclosed to any client advisor and opinion provider involved in any subsequent implementation. However, Euram acted on directions of Quellos, including the content and timing of all trading activity and the subsequent transactional steps involving Quellos clients.

   With respect specifically to question 4.c., Euram had no broader involvement with Barnville other than these transactions with Jackstones and so has no knowledge of any other activities of that entity and the associated assets and liabilities.

4. As just described, the stock loan transactions between Jackstones (as borrower) and Barnville (as lender) represents the flip side of the structure to the sale and purchase transactions. The

same conclusions can be derived regarding the nature of the shares that were the subject of those loan transactions. Again, Euram had no broader involvement with Jackstones and so has no access to any of its other activities.

5. It is correct as described above.

I hope this is helpful in assisting your investigation into these matters. I am happy to expand upon any of the above in whatever way I can and would suggest that the best way to do so would be through a similar written exchange.

Yours sincerely,

John Staddon

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Chuck Wilk
Sent: Thursday, April 06, 2000 10:18 AM
To: Christopher Hirata
Subject: FW: Point

-----Original Message-----
From: John Staddon [mailto:john.staddon[redacted]
Sent: Thursday, April 06, 2000 3:31 AM
To: Chuck Wilk
Cc: Rajan Puri
Subject: RE: Point

Chuck,

We will set aside all of tomorrow (Friday) afternoon to go through your comments (this afternoon/evening is too congested to give this the time that I reckon it will need). If you want to send over any written queries or comments ahead of then, please do so.
Cheers,
John

-----Original Message-----
From: Chuck Wilk [mailto:ChuckW[redacted]
Sent: Wednesday, April 05, 2000 7:25 PM
To: 'John Staddon'
Subject: RE: Point

John,

Chris Hirata and I have been through the documents and have numerous questions and comments. At your convenience, we need to schedule a call to review. Please contact Chris (206-613-6723) or me (206-613-6751).

Thanks,
Chuck

-----Original Message-----
From: John Staddon [mailto:john.staddon[redacted]
Sent: Tuesday, April 04, 2000 11:46 AM
To: Chuck Wilk
Subject: RE: Point

I obviously understand Lew's approach, but there is a commercial risk that both you and I know only too well and that is that the client turns round under a certain scenario and claims to have been misled as to the nature of the share trading between the two IoM companies. Speaking for Euram, we either need to know that the client and its advisors are aware of how the share trades are entered into or, if this is not possible, then we need to understand how it is that there will be no possible come back from the client at a later stage if everything does not go to plan.

Timing sound fine from this side. I will put together a draft checklist in contemplation of this. In the menatime, copuld you send me a copy of Lew's opinion for the file.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 211

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Thanks,
John

-----Original Message-----
From: Chuck Wilk [mailto:Chuck[redacted]]
Sent: Tuesday, April 04, 2000 7:21 PM
To: 'John Staddon'
Subject: RE: Point

John,

Client ready to proceed on or about 4/15. Lew Steinberg does not address the share exchange in his opinion because according to him the client should not know how the shares were contributd to the SPV. The client is introduced to the "product" (i.e. the HYPO structure) and purchases it as a high yield investment.

What do you think is left to be done to execute a sale of the SPV on 4/15? Should we produce a pre-closing checklist?

Thanks,
Chuck

-----Original Message-----
From: John Staddon [mailto:john.staddon[redacted]
Sent: Tuesday, April 04, 2000 11:14 AM
To: chuckW@qcm.com
Cc: Rajan Puri
Subject: Point

Chuck,

Jeff tells me that you are due to have the client meeting today and I hope that all goes well. I imagine that you will have a good feel for timing coming out of it and so I will expect a firm indication from you over the next 24hrs as to when you will want to pull the trigger.

Also to that end, I know that Chris has already discussed with Jeff the matter of us needing sight of the opinion being issued in connection with the structure and, if not dealt with in the opinion, an assurance that the client is fully apprised of the nature of the share trading between the two Isle of Man companies. Perhaps you could let me know when we can get sight of something.

Thanks,

John

Stuber, Laura (HSGAC)

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Staddon John LON [John.Staddon[redacted]
Sent: Monday, July 24, 2006 11:13 AM
To: Stuber, Laura (HSGAC)
Subject: Reply to letter dated 20 July 2006

Dear Ms. Stuber,

With reference to your letter dated July 19, 2006, I set out below responses to the questions you raise.

1. You are correct. Our dealing was primarily with Triskelion, who was the administrator for Barnville. Jackstones, as you rightly point out, was separately administered by a different company, who our records indicate to be Sanne Corporate Services Limited.

2. We are not aware of other business activities undertaken by Barnville and Jackstones, whether between themselves or independently.

3. As stated in my previous replies to you, we do not have personal knowledge of the ultimate beneficial owner or owners of Barnville or Jackstones. What I was in fact suggesting to Mr. Wilk in the passage you quote is that if HSBC insisted upon knowing the identity of the ultimate beneficial owner(s) of those entities, then I would press for disclosure of their identities from the Isle of Man administrators. As a hypothetical way to resolve the question, those ultimate beneficial owners could then become clients of Euram Bank, which would undertake a "know your client" review of them, from which we would then be able to provide an interbank assurance as to their reputations and net worth. This never came to pass, and so that process did not take place and the individual(s) concerned did not become clients of Euram Bank. We did not seek to verify the ownership structure of those entities any further.

4. The general concern expressed to Quellos in this email (and indeed elsewhere on other occasions) was that the book entry nature of the share trading between Barnville and Jackstones would be fully disclosed to any clients (or client advisors) to whom Quellos marketed this structure. While we were in no position to assess the technical merits of the structure and in particular the putative results for end clients participating in it, we felt it important that clients should be aware of this aspect of the overall transaction, and that any opinion which sought to describe results that derived in some way from the original share portfolios should address it. We were not prepared to accept the risk that the portfolio was described in any other manner, or not at all, and which might suggest that the shares were traded on public exchanges. The "certain scenario" to which I referred was the potential of a client embarking on the strategy without having first received this disclosure and thereafter claiming a misrepresentation of fact. Although our records do not indicate how this discussion was ultimately resolved, I am certain that Euram would not have provided its services without having obtained assurances that the appropriate disclosures would be made, and for our part we proceeded on that basis.

5. As stated in response to question 2, we are only aware of the contractual dealings between Barnville and Jackstones under the stock purchase and securities lending agreements. We had no involvement in the capitalisation of those entities, nor in any other activity that may have generated substantial resources.

I hope these responses have been helpful to you and the Subcommittee.

Yours sincerely,

John Staddon

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510–6250

July 19, 2006

VIA E-MAIL (John.Staddon[redacted]

Redacted by the Permanent Subcommittee on Investigations

Mr. John Staddon
Head of Structured Products
European American Investment Group
6 Duke Street, St. James's
London SW1Y 6BN
United Kingdom

Dear Mr. Staddon:

Thank you for your July 15, 2006, e-mail response to our inquiries. We are sorry that you are unable to testify at the hearing. We believe you would be able to provide information that would be very helpful to the Subcommittee's inquiry.

Your responses were very helpful to our understanding of these matters. The Subcommittee very much appreciates your willingness to answer the questions and hopes that you will be able to clarify a few items and answer additional questions raised by your earlier responses. Given that we are attempting to complete our review of this matter very shortly, we would greatly appreciate it if you could provide us with responses to as many of these questions as possible before you leave for your vacation on July 24th.

1. In your July 15th e-mail you stated that "Euram was involved in seeking the services of a third party corporate administrator with suitable contacts in the Isle of Man who obtained the use of Barnville and Jackstones for the trading activity in question," and you mentioned that the administrator was Triskelion. The Subcommittee has information indicating that Jackstones' directors were employees of Trident Trust and/or Sanne Corporate Services Limited, both of which use the same address, which is different from Triskelion's. Could you please briefly expand on your previous explanation and tell us whether Euram perhaps worked through two administrators or whether Triskelion may have involved another administrator for Jackstones? Any additional information you could provide us about these arrangements would be very helpful.

2. Were Barnville and Jackstones used for any business other than transactions related to the POINT strategy?

3. In an August 22, 2001, e-mail to Mr. Wilk (attached), you wrote the following about the beneficial owner of Barnville and Jackstones:

> Barnville is owned jointly by Claycroft Limited and Dalecroft Limited, both Isle of Man companies. Jackstones is wholly owned by Sanne Corporate Nominees Limited. Each of these corporate owners are nominee companies controlled and administered by two separate trustee and corporate administration operations in the IoM. I am not at all keen on revealing the ultimate beneficial owner. If there is persistence on it by HSBC, then I guess we can certify that the person in question is an existing client of Euram Bank and that we can testify for his reputation and good standing accordingly.

It appears that at the time of the e-mail to Mr. Wilk (August 2001) you knew the identity of the beneficial owner of Jackstones and Barnville and that it was a client of Euram. Who did you understand to be the beneficial owner of Barnville and Jackstones at the time of your e-mail to Mr. Wilk?

If you did not know the identity of the beneficial owner of Jackstones and Barnville, please explain what you meant by this statement to Mr. Wilk in your e-mail.

Who are the two trustee and corporate administration operations referred to in your e-mail as the entities that controlled and administered Claycroft Limited, Dalecroft Limited and Sanne Corporate Nominees Limited?

4. In April 2000, you engaged in a series of e-mail exchanges (attached) with Mr. Wilk in which you urged that the client in a POINT strategy "be fully apprised of the nature of the share trading between the two Isle of Man companies." When Mr. Wilk informed you that the attorney writing the tax opinion did not address the nature of the share exchange in the opinion because the attorney believed that "the client should not know how the shares were contributed to the SPV," you replied to Mr. Wilk with the following:

> "I obviously understand Lew's approach, but there is a commercial risk that both you and I know only too well and that is that the client turns round under a certain scenario and claims to have been misled as to the nature of the share trading between the two IoM companies. Speaking for Euram, we either need to know that the client and its advisors are aware of how the share trades are entered into or, if this is not possible, then we need to understand how it is that there will be no possible come back from the client at a later stage if everything does not to plan."

With respect to the correspondence cited above (and attached), please describe the "nature of the share trading" that you are referring to.

What is it about the nature of the share trading that you believe is important for the client to know?

What is the "certain scenario" that you refer to, which might lead a client to claim to have been misled as to the nature of the share trading between the two IoM companies?

How were your concerns and suggestions resolved?

5. As far as Euram knows, did either Barnville or Jackstones have access to any substantial capital or other resources, other than their mutual contract rights arising under the stock purchase and securities lending agreements, that would enable them to fulfill their obligations to each other under those agreements? If so, please identify and describe those resources.

Please contact me if you would like further clarification regarding our questions. Thank you again for your assistance on these matters and I look forward to receiving your responses.

Sincerely,

Laura Stuber

Laura Stuber
Counsel to the Minority
Permanent Subcommittee on Investigations

CL/ls

Stuber, Laura (HSGAC)

Redacted by the Permanent Subcommittee on Investigations

From: Staddon John LON [John.Staddor
Sent: Monday, July 24, 2006 11:13 AM
To: Stuber, Laura (HSGAC)
Subject: Reply to letter dated 20 July 2006

Dear Ms. Stuber,

With reference to your letter dated July 19, 2006, I set out below responses to the questions you raise.

1. You are correct. Our dealing was primarily with Triskelion, who was the administrator for Barnville. Jackstones, as you rightly point out, was separately administered by a different company, who our records indicate to be Sanne Corporate Services Limited.

2. We are not aware of other business activities undertaken by Barnville and Jackstones, whether between themselves or independently.

3. As stated in my previous replies to you, we do not have personal knowledge of the ultimate beneficial owner or owners of Barnville or Jackstones. What I was in fact suggesting to Mr. Wilk in the passage you quote is that if HSBC insisted upon knowing the identity of the ultimate beneficial owner(s) of those entities, then I would press for disclosure of their identities from the Isle of Man administrators. As a hypothetical way to resolve the question, those ultimate beneficial owners could then become clients of Euram Bank, which would undertake a "know your client" review of them, from which we would then be able to provide an interbank assurance as to their reputations and net worth. This never came to pass, and so that process did not take place and the individual(s) concerned did not become clients of Euram Bank. We did not seek to verify the ownership structure of those entities any further.

4. The general concern expressed to Quellos in this email (and indeed elsewhere on other occasions) was that the book entry nature of the share trading between Barnville and Jackstones would be fully disclosed to any clients (or client advisors) to whom Quellos marketed this structure. While we were in no position to assess the technical merits of the structure and in particular the putative results for end clients participating in it, we felt it important that clients should be aware of this aspect of the overall transaction, and that any opinion which sought to describe results that derived in some way from the original share portfolios should address it. We were not prepared to accept the risk that the portfolio was described in any other manner, or not at all, and which might suggest that the shares were traded on public exchanges. The "certain scenario" to which I referred was the potential of a client embarking on the strategy without having first received this disclosure and thereafter claiming a misrepresentation of fact. Although our records do not indicate how this discussion was ultimately resolved, I am certain that Euram would not have provided its services without having obtained assurances that the appropriate disclosures would be made, and for our part we proceeded on that basis.

5. As stated in response to question 2, we are only aware of the contractual dealings between Barnville and Jackstones under the stock purchase and securities lending agreements. We had no involvement in the capitalisation of those entities, nor in any other activity that may have generated substantial resources.

Permanent Subcommittee on Investigations
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I hope these responses have been helpful to you and the Subcommittee.

Yours sincerely,

John Staddon

7/24/2006

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Jeff Greenstein
Sent: Friday, April 28, 2000 7:52 AM
To: 'John Staddon'
Subject: RE: [redacted] trade

John - sorry the portfolio didn't come through. Attached is a file that has the stocks and approximate quantities. I will give you a call shortly to review.

-----Original Message-----
From: John Staddon [mailto:john.staddon[redacted]]
Sent: Friday, April 28, 2000 4:43 AM
To: Jeff Greenstein; Chuck Wilk
Cc: Rajan Puri
Subject: RE: [redacted] trade
Importance: High

Jeff,

Jeff/ Chuck

The portfolio details were not attached. Please send over asap and Jeff could you confirm which tranche the shares derive from (i.e. the first tranche of 28/12/99, 03/01/00 and 28/01/00 or the second tranche of 28/02/00).

I assume that we are looking to execute for [redacted] today. On that basis:

(a) the call spread and option collars will have an expiry date of 7 August 2000 (by our reckoning) and, assuming a three business day settlement period, the cash settlement will of the options arises on 10 August. 10 August will also be the date on which the deferred consideration becomes payable. Please confirm that this is the basis on which the BoA options will be traded.

(b) the call spread will be traded at some point during the NY business day;

(c) I will get faxed signatures for the various documents and send them to you via fax (the agreements allow for counterparts).

(d) I will arrange for hard copy originals to be circulated early next week (once we have hard numbers as well).

Some other factors to note:

1. I still need the names of the [redacted] entities.
2. Instead of using Reka, I have set up another Isle of Man company for Zilkha (details of which I have faxed to Chris Hirata) - it is called Torens Limited.
3. The bank account details that I sent you over Chuck yesterday for Barnville needs to refer to "TRISKCOUSD1" rather than "EUROTCOUSD1".
4. For the purposes of calculating our fee, please confirm that the structure size.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 216

PSI-QUEL 10704

Finally, I know that we discussed this for Woody and his trades, but I also need confirmation from you that [redacted] and/or his advisers is aware of the book entry features of the structure.

Thanks,
John

= Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Jeff Greenstein [mailto:jeffg[redacted]]
Sent: Friday, April 28, 2000 4:51 AM
To: 'John Staddon'
Cc: Chuck Wilk
Subject: [redacted] trade

John - in preparing the draft documents I have enclosed some approximate facts that will likely change slightly prior to execution:

Stock Basket:

<<...>>

Total fair value of purchase: 91,796,000

Option Prices & terms:

100 day European cash settled options:

100% put: 13,530,859
108% call: 11,382,813

Pre-paid interest and fees: 1,850,000

Obviously the cost of the call spread will equal the combination of the pre-paid interest and the net debit on the options. This amount will be forward to Bank of America. A similar e-mail will be prepared for Woody's trade. I will speak with you in the morning but this should provide for you to start preparing the documents. Jeff

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

June 9, 2006

Redacted by the Permanent Subcommittee on Investigations

VIA U.S. MAIL & EMAIL TO MARK TAYLOR (mark.taylor@

Mr. Mark Taylor
Standard Bank Investment Corporation (Isle of Man) Limited
Standard Bank House 1
Circular Road
Douglas, Isle of Man

Dear Mr. Taylor:

I am writing to you at the recommendation of Mr. Isaac Sefchovich, Chief Complian Officer at Standard New York, Inc.

Pursuant to its authority under Senate Resolution 50, 109th Congress, Section 11(e), Permanent Subcommittee on Investigations is currently reviewing the use of tax shelters an compliance with anti-money laundering, tax and securities laws and regulations related to financial transactions by individuals and domestic and offshore entities. The Subcommittee reviewing a series of financial transactions, and documents related to those transactions ind the involvement of Triskelion Trust Company Limited (Triskelion). As you know, Triskeli owned by Standard Bank Group Limited. The Subcommittee staff would like to discuss th transactions and matters identified in the documents with the individuals at Triskelion who directly involved, specifically, Mr. Paul Moore. This would enable the Subcommittee to understand Triskelion's account of events, and of equal importance provide Triskelion with understanding of the general issues and particular matters of most interest and concern to th Subcommittee.

Subcommittee staff would also like to meet with Mr. Paul Moore to gain a better understanding of Triskelion's organization and operations, including the services Triskelio provides, its due diligence processes, including how clients are identified and approved, an firm's interactions with financial institutions and investment banking groups. We would a hope to understand how the laws and regulations of other jurisdictions impact the services provided to clients from those jurisdictions.

Thank you for your attention to this matter. Please contact me at (202) 224-[redacted] if have any questions about this request and to coordinate a convenient meeting time.

Sincerely,

Laura Stuber

Laura Stuber
Counsel to the Minority
Permanent Subcommittee on Investigations

cc: Mr. Isaac Sefchovich, Chief C

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 218

Standard Bank Offshore Group Limited

Standard Bank House
One Circular Road
Douglas
Isle of Man
IM1 1SB

Tel: +44 (0)1624 643643
Fax: +44 (0)1624 643800
E-mail: sbiom@standardbank.com
Website: www.sboff.com

Strictly Private & Confidential
Ms Laura Stuber – Counsel to the Minority
United States Senate
Committee on Homeland Security
and Govermental Affaires
Washington, DC 20510-6250

14th June 2006

Dear Ms Stuber

Triskelion Trust Company Limited ("Triskelion")

I refer to your letter of 9 June 2006, addressed to Mr Mark Taylor.

As the Permanent Subcommittee on Investigations (the "Subcommittee") has no jurisdiction over Triskelion,We regret that we are unable to be of assistance in relation to the Subcommittee's investigations.

We will, of course, fully cooperate with a request or Order from any competent authority.

Yours sincerely

Shirley Foley
Senior Compliance Manager

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The Companies Acts, 1931 to 1993

MA

ISLE OF MAN

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM

and

ARTICLES OF ASSOCIATION

of

BARNVILLE LIMITED

A Private Company adopting Table A with modifications

THE COMPANIES ACTS, 1931 TO 1993

ISLE OF MAN

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

BARNVILLE LIMITED

---

1. The name of the Company is:- Barnville Limited

2. The Company is a private Company.

3. The liability of the members is limited.

4. The share capital of the Company is £2,000 divided into 2,000 shares of £1 each.

5. The shares in the original or any increased capital may be divided into several classes, and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise.

We, the subscribers to this memorandum of association -

(a) wish to be formed into a company pursuant to this memorandum;

(b) agree to take the number of shares shown opposite our respective names;

(c) declare that all the requirements of the Companies Acts 1931 to 1993 in respect of matters relating to registration and of matters precedent and incidental thereto have been complied with.

No.	Names, Addresses and Description of Subscribers		No. of Shares taken by each Subscriber
1.	Paul Moore CLAYCROFT LIMITED 19 Mount Havelock Douglas Isle of Man	Director Private Company	One
2.	Paul Moore DALECROFT LIMITED 19 Mount Havelock Douglas Isle of Man	Director Private Company	One
	Total Number of Shares taken		**Two**

Dated this 11th day of February 1998

WITNESS to the above signatures:

A Nicholson
26 Meadow Crescent
Ashbourne Park
Braddan
Isle of Man

Administrator

Company number 089809C

Section 1

THE COMPANIES ACTS 1931 TO 1993

Form of Annual Return of a Company having a Share Capital

(other than a company limited by guarantee) pursuant to sections 107 and 340 of the Companies Act 1931 (as amended)

Annual Return of **Barnville Limited**

made up to the **12th day of February 2001**

being the company's return date

The Address of the Registered Office of the Company is as follows :

19 Mount Havelock
Douglas
Isle of Man

Principal trade or business carried on by the company since the last annual return (or incorporation if this is the first annual return)

INVESTMENTS

Is there a non resident company declaration or a certificate under section 9 (2) of the Non Resident Company duty 1986 in force in respect of the Company **NO**

If the answer to the last question is YES

(a) has the central management and control of the company been in the Isle of Man at any time since the last annual return (or incorporation if this is the first annual return) **N/A**

(b) has the company derived any income from any property, trade, business or other source in the Isle of Man since the last annual return (or incorporation if this is the first annual return)**N/A**

Has the company been a stakeholder as defined in section 20 of the Timeshare Act 1996 at any time since the last annual return date, or, if no annual return has been previously delivered, at any time since incorporation? **NO**

If the answer to the last question is YES and the company is a company limited by shares

(a) has the company issued shares fully paid up in cash of the minimum nominal value required by section 109(3B)(a) of the Companies Act 1931? **N/A**

(b) does the company hold indemnity insurance for such sum and in respect of such liabilities as are specified in section 109(3B)(b) of the Companies Act 1931? **N/A**

Total amount of indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies **Nil**

Presented by **Triskelion Trust Company Limited**
19 MOUNT HAVELOCK
DOUGLAS

GENERAL REGISTRY I.O M COMPANIES REGISTRY		
	INITIALS	DATE
FILED	C	7/5/01

DATA CENTRE
CoSecPac

Section 2

Annual Return of **Barnville Limited**
made up to the **12th day of February 2001**

Authorised Share Capital
£ 2000.00 Divided into :-
2000 ordinary Shares of £1.00

			Amount/Share	Number	Class
1	Number of shares of each class taken up to the date of this return			2	ordinary
2	Number of shares of each class issued subject to payment wholly in cash			2	ordinary
3	Number of shares of each class issued as fully paid up for a consideration other than cash			Nil	
4	Number of shares of each class issued as partly paid up for a consideration other than cash and the extent to which each such share is so paid up			Nil	
5	Number of shares (if any) of each class issued at a discount			Nil	
6	Amount of discount on the issue of shares which has not been written off			Nil	
7	Amount per share called up on number of shares of each class	£	1 00	2	ordinary
8	Total amount of calls received including payments on application and allotment	£	2 00		ordinary
9	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid for consideration other than cash			Nil	
10	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid for consideration other than cash			Nil	
11	Total amount of calls unpaid			Nil	
12	Total amount of sums (if any) paid by way of commission in respect of any shares or debentures			Nil	
13	Total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last annual return			Nil	
14	Total number of shares of each class forfeited			Nil	
15	Total amount paid (if any) on shares forfeited			Nil	
16	Total amount of shares for which share warrants to bearer are outstanding			Nil	
17	Total amount of share warrants to bearer surrendered since last return			Nil	
17a	Total amount of share warrants to bearer issued since last return			Nil	
18	Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind			Nil	

Private Company

Certificate to be given by a Private Company

I certify that Company has not since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company

(Signature)

(State whether Director or Secretary)

DATA CENTRE
CoSecPac

Annual Return of : Barnville Limited **Section 3**

made up to the 12th day of February 2001

List of past and present members

Folio in register of members	Name and Address	Number of shares or amount of stock held by an existing member at date of return		Particulars of shares transferred since the date of the last return, or, in the case of the first return, of the incorporation of the company by (a) persons who are still members and (b) persons who have ceased to be members			
				Number	(a)	(b)	Remarks
CLAYCROFT	Clayecroft Limited, 19 Mount Havelock, Douglas, Isle of Man	1 00	ordinary				
DALECROFT	Dalecroft Limited, 19 Mount Havelock, Douglas Isle of Man	1 00	ordinary				

DATA CENTRE
CoSecPac

Annual Return of : **Baraville Limited**

Section 4

made up to the **12th day of February 2001**

Particulars of the directors of the company at the date of the return

Name Mr Paul Moore
Address Crofton, West Baldwin, Isle of Man, IM4 5ET
Occupation Chartered Accountant
Nationality British

Name MS Ann Nicholson
Address 26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man
Occupation Company Administrator
Nationality British

Name Mrs Pamela Ann Young
Address Cronk Veg, Glen Road, Colby, Isle of Man
Occupation Chartered Accountant
Nationality Manx

The Secretary/Secretaries of the company at the date of this return

Name Mr Paul Moore
Address Crofton, West Baldwin, Isle of Man, IM4 5ET

I/We certify this return which comprises Sections 1,2,3 & 4

(Signature) .....

(State whether Director, Manager or Secretary)

[redacted]

CoSecPac

No. of Company. 18346-1 41 18.08.81

The Companies Acts, 1931-1974

18 AUG 023 0003.00 II OF.

DECLARATION OF COMPLIANCE WITH REQUIREMENTS OF THE COMPANIES ACT, 1931, ON APPLICATION FOR REGISTRATION OF A COMPANY.

Pursuant to Section 15 (2)

NAME OF COMPANY: DALECROFT LIMITED

Presented by:

SNELLING TUCKER MOORE & CO.,
P.O. BOX 23,
VICTORY HOUSE,
PROSPECT HILL,
DOUGLAS.

GENERAL REGISTRY, ISLE OF MAN
Registered in the Registry for Joint Stock Companies this 18th day of AUG. 1981 at 3pm No. 21548.
Deputy Assistant Chief Registrar

I, Neville Cooper Billington of Dreemskella, St Judes Road, Sulby, Isle of Man DO solemnly and sincerely declare that I am a person named in the Articles of Association as Secretary of Dalecroft Limited

And that all requirements of the Companies Acts, 1931-1974 in respect of matters precedent to the Registration of the said Company and incidental thereto have been complied with And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Evidence Act, 1871.

DECLARED at DOUGLAS :
this 14th day of AUGUST :
1981 :

Before me :

14 AUG 236 0000.50 II OF.

A COMMISSIONER FOR

No. of Company 18345 - 1 [41] [18.08.81]

The Companies Acts, 1931-1974

DECLARATION OF COMPLIANCE WITH REQUIREMENTS OF THE COMPANIES ACT, 1931, ON APPLICATION FOR REGISTRATION OF A COMPANY.

Pursuant to Section 15 (2)

NAME OF COMPANY: CLAYCROFT LIMITED

Presented by:

SNELLING TUCKER MOORE & CO.,
P.O. BOX 23,
VICTORY HOUSE,
PROSPECT HILL,
DOUGLAS.

GENERAL REGISTRY, ISLE OF MAN

Registered in the Registry for Joint Stock Companies this 18th day of AUG. 1981 at 3 pm No. 21542.

Assistant Chief Registrar

I, Neville Cooper Billington of Dreemskella, St Judes Road, Sulby, Isle of Man DO solemnly and sincerely declare that I am a person named in the Articles of Association as Secretary of Claycroft Limited

And that all requirements of the Companies Acts, 1931-1974 in respect of matters precedent to the Registration of the said Company and incidental thereto have been complied with And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Evidence Act, 1871.

DECLARED at DOUGLAS :
this 14th day of AUGUST :
1981 :

Before me :

A COMMISSIONER FOR

THE COMPANIES ACTS, 1931 to 1974

18346-2. ISLE OF MAN

18 AUG 018 0025.00 II OF.

18 AUG 019 0020.00 II CD.

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

DALECROFT LIMITED

1 The name of the Company is "DALECROFT LIMITED".

2 The Registered Office of the Company will be situate in the Isle of Man.

3 The objects for which the Company is established are :-

(1) To acquire, whether in the Isle of Man or elsewhere, by purchase, exchange, lease, hire, concession, grant, licence or otherwise such stocks, shares, debentures, debenture stock, bonds, obligations or securities of any government state or authority or of any body corporate or unincorporate, lands, buildings, hereditaments, easements, leases, rights, privileges, concessions, patents, patent rights, trade marks, copyrights, licences, processes, formulas, machinery, plant, stock-in-trade, policies of assurance and such other real or personal property, rights and interests as the Company shall deem fit, but so that the Company shall not have power to deal or traffic therein but may acquire and hold the same for the purpose of investment only and with a view to holding and managing the same and receiving the income therefrom. If from time to time it shall be found necessary or advisable for the Company to realise all or any part of its property or assets the Company shall have power to do so, but any surpluses or deficiencies arising on or from such realisations shall be dealt with as capital surpluses not available for the payment of dividends or as capital deficiencies which shall be charged against capital account.

(2) To act as nominee or agent either solely or jointly for any person or persons, company, corporation, government, state or province, or for any municipal or other authority or public body, to undertake the office of and act as trustee, executor, administrator, manager, agent, or attorney of and or for any person or persons, company, corporation, government, state, colony, province, dominion, sovereign or authority, supreme, municipal, local or otherwise and generally to undertake, perform and discharge any trusts or trust agency business, and any office of confidence or in any capacity recognised by the laws of any country as constituting the representation of, or the title to administer all or any part of the estate of a deceased person.

(3) In particular, and without limiting the generality of the above, to act as judicial and custodian trustees for the purposes of the Settled Lands Act, trustees for the holders of debentures and debenture stock, to act as a trust corporation within the meaning of the Trustee Act, 1961, or any act or acts amending or re-enacting or replacing the same, to act as administrators of the properties of married women minors and lunatics, and to act as manager and treasurers, guardians of infants, and commissioners of persons of unsound mind, receivers and liquidators.

(4) To hold in trust as nominees or trustees of any person or persons, body of persons, committee, society, company, corporation, government, state or province, or of any municipal or other authority or public body and, as nominees or trustees deal with, manage and turn to account any real and personal property of all kinds and in particular shares, stocks, debentures, debenture stock, bonds, securities, and investments of all classes, policies, annuities, book debts, claims, and choses in action, lands, buildings, hereditaments, business concerns and undertakings, mortgages, charges, patents, licences, and any interest in real or personal property and any claims against such property or against any person or company.

(5) To hold, administer, sell, realise, invest, dispose of, and deal with the moneys and property, both real and personal, and to carry on, manage, sell, realise, dispose of and deal with any business comprised or included in any estate of which the Company are executors or administrators or in any trust of which the Company are trustees, or of which the Company are administrators, receivers, managers or liquidators.

(6) As nominees, agents, trustees or in any fiduciary capacity whatsoever to purchase, or otherwise acquire, hold or dispose of any real or personal property, rights or interests and generally to do such things as could in the performance of such offices or capacities be done by a natural person or persons.

(7) To undertake the office of receiver, treasurer, or auditor, and to keep for any joint stock companies or corporate bodies or for any government, state, province, municipality or other authority however and wherever constituted, any register relating to stocks, shares, debentures, debenture stock, securities, obligations and other issues and to undertake any duties in relation to the registration of transfers, the issue of certificates or otherwise, and generally to act as secretaries, registrars and transfer agents.

(8) To make deposits, enter into recognizances and bonds, or otherwise give security for the due execution of the offices and perform all the duties of executors, administrators, trustees, managers, treasurers, guardians, committees, receivers, liquidators, or any other office duties or appointment of the company.

(9) To develop, cultivate, extend and expand any or all of the Company's property or any estate or interest therein as may be thought necessary or convenient for the purposes of or in connection with the Company's business or any part thereof or in the execution by the Company of any fiduciary office or capacity.

(10) To take part in the formation, management, supervision or control of the business or operations of any company or undertaking, and for that purpose to appoint and remunerate any Directors, accountants, or other experts or agents.

(11) To transact or carry on all kinds of agency business, and in particular in relation to the investment of money, the sale of property and the collection and receipt of money.

(12) To purchase, build, hire, charter, or otherwise own, hold, use and dispose of but not to deal in vessels, ships, aircraft, hovercraft, hydrofoils, motor vehicles, railways, and any other forms or systems of transport and their appurtenances.

(13) To grant licences or concessions over or in respect of any property or rights of the Company.

(14) To receive money, securities and property for safe custody or management and to act as custodians, attorneys, nominees, trustees, bailees or agents.

(15) To borrow or raise or secure the payment of money for the purposes of or in connection with the Company's business.

(16) To mortgage and charge the undertaking and all or any of the real and personal property and assets, present or future, and all or any of the uncalled capital for the time being of the Company and to issue at par or at a premium or discount and for such consideration and with and subject to such rights, powers, privileges and conditions as may be thought fit, debentures or debenture stock, either permanent or redeemable or repayable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance.

(17) To issue debentures, debenture stock, bonds, obligations and securities of all kinds, and to frame, constitute and secure the same, as may seem expedient, with full power to make the same transferable by delivery, or by instrument of transfer or otherwise and either perpetual or terminable, and either redeemable or otherwise and to charge or secure the same by trust, deed, or otherwise on the undertaking of the Company or upon any specific property and rights, present and future of the Company (including, if thought fit, uncalled capital) or otherwise howsoever.

(18) To issue and deposit any securities or property which the Company has power to issue or deposit by way of mortgage to secure any sum and also by way of security for the performance of any contract or obligation of the Company or of its customers or of any other persons or corporations as the Company may deem fit.

(19) To receive money, securities and property on deposit or loan upon such terms as the Company may approve.

(20) To make loans and advances to customers and others at interest or without interest and with or without security and upon such terms as the Company may approve.

(21) To draw, make, issue, accept, endorse, negotiate, discount, purchase and execute Promissory Notes, Bills of Exchange and other transferable or negotiable instruments.

(22) To guarantee the contracts of customers and others and generally to carry on and transact every kind of guarantee and indemnity business.

(23) To facilitate, promote and encourage the creation, issue or conversion of debentures, debenture stock, bonds, obligations, shares, stocks and securities, and to act as trustees in connection with any such securities and to take part in the conversion of business concerns and undertakings into companies.

(24) To employ experts to investigate and examine into the conditions, prospects, value, character and circumstances, of any business concerns and undertakings and generally of any assets, property or rights.

(25) To constitute any trusts with a view to the issue of preferred and deferred or any other special stocks or securities based on or representing any shares, stocks, or other assets specifically appropriated for the purposes of any such trust, and to settle and regulate, and, if thought fit, to undertake and execute any such trusts, and to issue, dispose of, or hold any such preferred, deferred or other special stocks or securities.

(26) To give any guarantee in relation to the payment of any debentures, debenture stock, bonds, obligations or securities and to guarantee the payment of interest thereon or of dividend on any stock or shares of any company.

(27) To undertake, create, declare and execute any Trusts.

(28) To erect, construct, lay down, enlarge, alter, and maintain any roads, railways, tramways, sidings, bridges, reservoirs, shops, stores, factories, buildings, works, plant and machinery necessary or convenient for the Company's business, and to contribute to or subsidise the erection, construction, and maintenance of any of the above.

(29) To grant pensions, allowances, gratuities and bonuses to officers, ex-officers, employees or ex-employees of the Company or its associates, subsidiaries or predecessors in business or the dependants or connections of such persons, to establish and maintain, or concur in establishing and maintaining trusts, funds or schemes (whether contributory or non-contributory) with a view to providing pensions or other benefits for any such persons as aforesaid, their dependants or connections and to support or subscribe to any charitable funds or institutions, the support of which may, in the opinion of the Directors, be calculated directly or indirectly to benefit the Company or its employees, and to institute and maintain any club or other establishment or profit-sharing scheme calculated to advance the interests of the Company or its officers or employees.

(30) To effect, purchase, sell and maintain policies of insurance whether whole life or life endowment or term policies on the lives of members, ex-members, officers, ex-officers, employees, ex-employees of or other persons having dealings with the Company.

(31) To invest and deal with the moneys of the Company not immediately required for the purposes of its business in or upon such investments or securities and in such manner as may from time to time be determined.

(32) To pay for any property or rights acquired by the Company and to remunerate any person or company either in cash or specie, or by the allotment of fully or partly paid-up shares, debentures or other securities which the Company has power to issue credited as paid-up in full or in part or otherwise, with or without preferred or deferred or guaranteed rights in respect of dividends or interest or repayment of capital or otherwise or partly in one mode and partly in another and generally on such terms as the Company may determine.

(33) To accept payment for any property or rights sold or otherwise disposed of or dealt with by the Company, either in cash or specie by instalments or otherwise, or in fully or partly paid-up shares of any company or corporation, with or without deferred or preferred or guaranteed rights in respect of dividend or repayment of capital or otherwise, or in debentures or mortgage debentures or debenture stock, mortgages, or other securities of any company or corporation, or partly in one mode and partly in another, and generally on

such terms as the Company may determine, and to hold, dispose of or otherwise deal with any specie, shares, stock or securities so acquired.

(34) To vest any real or personal property rights or interest acquired by or belonging to the Company in any person or company on behalf of or for the benefit of the Company, and with or without any declared trust in favour of the Company.

(35) To pay out of the funds of the Company all expenses which the Company may lawfully pay with respect to the formation and registration of the Company or the issue of its capital, including brokerage and commissions for obtaining applications for or taking, placing or underwriting or procuring the underwriting of shares, debentures or other securities of the Company.

(36) To subscribe for, take, or otherwise acquire and hold shares, stock, debentures, or other securities of any other company having objects altogether or in part similar to those of the Company, or carrying on any business capable of being conducted so as directly or indirectly to benefit the Company.

(37) To enter into any partnership or joint-purse arrangement or arrangement for sharing profits, union of interests or co-operation with any company, firm or person carrying on or proposing to carry on any business, and to acquire and hold, sell, deal with or dispose of shares, stock or securities of any such company, and to guarantee the contracts or liabilities of or the payment of the dividends, interest or capital of any shares, stock or securities of and to subsidise or otherwise assist any such company.

(38) To enter into any arrangements with any Governments or Authorities (supreme, municipal, local or otherwise) or any Corporations, Companies or persons that may seem conducive to this Company's objects or any of them, and to obtain from any such Government, Authority, Corporation, Company or persons, any charters, contracts, decrees, rights, privileges and concessions which the Company may think desirable and to carry out, exercise and comply with any such charters, contracts, decrees, rights, privileges, and concessions.

(39) To obtain any provisional order or Act of Tynwald or Act of Parliament for enabling the Company to carry any of its objects into effect, or for effecting any modification of the Company's Constitution, or for any other purpose which may seem expedient, and to oppose any proceedings or applications, which may seem calculated, directly or indirectly, to prejudice the Company's interests.

(40) To carry on any other trade or business whatsoever which can, in the opinion of the Board of Directors, be advantageously carried on by the Company in connection with or as ancillary to any of the above businesses or the general business of the Company.

(41) To acquire, undertake or participate in the whole or any part of the business, property and liabilities of any person, firm or company carrying on, participating in or proposing to carry on or participate in any business which the Company is authorised to carry on, or which is possessed of property suitable for the purposes of the Company, or which at the commencement of such acquisition, undertaking or participation appears to the satisfaction of the majority of the Directors of the Company to be a suitable business for the Company to acquire, undertake or participate in and for the avoidance of doubt it is hereby declared that the Company may be a proprietor, co-proprietor, partner or participator in any style or form of business, partnership, limited partnership or joint venture in whatsoever name conducted.

(42) To establish or promote or concur in establishing or promoting any other company whose objects shall include the acquisition and taking over of all or any of the assets and liabilities of this Company or the promoting of which shall be in any manner calculated to advance directly or indirectly the objects or interests of this Company, and to acquire and hold or dispose of shares, stock or securities of and guarantee the payment of the dividends, interest or capital of any shares, stock or securities issued by or any other obligations of any such company.

(43) To sell, improve, manage, develop, turn to account, exchange, let on rent, royalty, share of profits or otherwise grant licences, easements and other rights in or over, and in any other manner deal with or dispose of the undertaking and all or any of the property and assets for the time being of the Company in such manner and for such consideration as the Company may think fit.

(44) To amalgamate with any other company, whether by sale or purchase (for fully or partly paid-up shares or otherwise) of the undertaking, subject to the liabilities of this or any such other company as aforesaid, with or without winding up or by sale or purchase, (for fully or partly paid-up shares or otherwise) of all or a controlling interest in the shares or stock of this or any such other company as aforesaid, or by partnership, or any arrangement of the nature of partnership, or in any other manner.

(45) To distribute among the members in specie any property of the Company, or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction, if any, for the time being required by law.

(46) To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise.

(47) To procure the Company to be registered or recognised in the United Kingdom or in any British Colony or Dependency or in any foreign country or place.

(48) To do all such other things as are incidental or conducive to the above objects or any of them.

And it is hereby declared that the objects specified in each paragraph of this Clause shall except where otherwise expressed in such paragraph, be independent main objects and shall be in no wise limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company.

4. The liability of the members is limited.

5. The share capital of the Company is £2,000 divided into 2,000 shares of £1 each.

The Shares in the original or any increased capital may be divided into several classes, and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise.

WE, the several persons whose names, addresses and descriptions are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the Capital of the Company set opposite our respective names.

No.	Names, Addresses and Descriptions of Subscribers		No. of Shares taken by each Subscriber
1.	Neville Cooper Billington NEVILLE COOPER BILLINGTON Dreemskella St Jude's Road Sulby Isle of Man	Chartered Accountant	One
2.	Richard Lawford Duncan Tucker RICHARD LAWFORD DUNCAN TUCKER 7 Balladoyne St Johns Isle of Man	Chartered Accountant	One
	Total Number of Shares taken		Two

Dated this 14th day of August 1981

WITNESS to the above signatures -

K. J. CHRISTIAN
Briar Dene
Little Switzerland
Douglas
Isle of Man

K J Christian

Secretary

GENERAL REGISTRY, ISLE OF MAN

Registered in the Registry for Joint Stock Companies this 18th day of AUG. 1981 at 3pm No. 21549.

Deputy Assistant Chief Registrar

18345 - 2

THE COMPANIES ACTS, 1931 to 1974

ISLE OF MAN 18 AUG 25 0025.00 I OF.

PRIVATE COMPANY LIMITED BY SHARES 26 0020.00 I CO.

MEMORANDUM OF ASSOCIATION

OF

CLAYCROFT LIMITED

1 The name of the Company is "CLAYCROFT LIMITED".

2 The Registered Office of the Company will be situate in the Isle of Man.

3 The objects for which the Company is established are :-

(1) To acquire, whether in the Isle of Man or elsewhere, by purchase, exchange, lease, hire, concession, grant, licence or otherwise such stocks, shares, debentures, debenture stock, bonds, obligations or securities of any government state or authority or of any body corporate or unincorporate, lands, buildings, hereditaments, easements, leases, rights, privileges, concessions, patents, patent rights, trade marks, copyrights, licences, processes, formulas, machinery, plant, stock-in-trade, policies of assurance and such other real or personal property, rights and interests as the Company shall deem fit, but so that the Company shall not have power to deal or traffic therein but may acquire and hold the same for the purpose of investment only and with a view to holding and managing the same and receiving the income therefrom. If from time to time it shall be found necessary or advisable for the Company to realise all or any part of its property or assets the Company shall have power to do so, but any surpluses or deficiencies arising on or from such realisations shall be dealt with as capital surpluses not available for the payment of dividends or as capital deficiencies which shall be charged against capital account.

(2) To act as nominee or agent either solely or jointly for any person or persons, company, corporation, government, state or province, or for any municipal or other authority or public body, to undertake the office of and act as trustee, executor, administrator, manager, agent, or attorney of and or for any person or persons, company, corporation, government, state, colony, province, dominion, sovereign or authority, supreme, municipal, local or otherwise and generally to undertake, perform and discharge any trusts or trust agency business, and any office of confidence or in any capacity recognised by the laws of any country as constituting the representation of, or the title to administer all or any part of the estate of a deceased person.

(3) In particular, and without limiting the generality of the above, to act as judicial and custodian trustees for the purposes of the Settled Lands Act, trustees for the holders of debentures and debenture stock, to act as a trust corporation within the meaning of the Trustee Act, 1961, or any act or acts amending or re-enacting or replacing the same, to act as administrators of the properties of married women minors and lunatics, and to act as manager and treasurers, guardians of infants, and commissioners of persons of unsound mind, receivers and liquidators.

(4) To hold in trust as nominees or trustees of any person or persons, body of persons, committee, society, company, corporation, government, state or province, or of any municipal or other authority or public body and, as nominees or trustees deal with, manage and turn to account any real and personal property of all kinds and in particular shares, stocks, debentures, debenture stock, bonds, securities, and investments of all classes, policies, annuities, book debts, claims, and choses in action, lands, buildings, hereditaments, business concerns and undertakings, mortgages, charges, patents, licences, and any interest in real or personal property and any claims against such property or against any person or company.

(5) To hold, administer, sell, realise, invest, dispose of, and deal with the moneys and property, both real and personal, and to carry on, manage, sell, realise, dispose of and deal with any business comprised or included in any estate of which the Company are executors or administrators or in any trust of which the Company are trustees, or of which the Company are administrators, receivers, managers or liquidators.

(6) As nominees, agents, trustees or in any fiduciary capacity whatsoever to purchase, or otherwise acquire, hold or dispose of any real or personal property, rights or interests and generally to do such things as could in the performance of such offices or capacities be done by a natural person or persons.

(7) To undertake the office of receiver, treasurer, or auditor, and to keep for any joint stock companies or corporate bodies or for any government, state, province, municipality or other authority however and wherever constituted, any register relating to stocks, shares, debentures, debenture stock, securities, obligations and other issues and to undertake any duties in relation to the registration of transfers, the issue of certificates or otherwise, and generally to act as secretaries, registrars and transfer agents.

(8) To make deposits, enter into recognizances and bonds, or otherwise give security for the due execution of the offices and perform all the duties of executors, administrators, trustees, managers, treasurers, guardians, committees, receivers, liquidators, or any other office duties or appointment of the company.

(9) To develop, cultivate, extend and expand any or all of the Company's property or any estate or interest therein as may be thought necessary or convenient for the purposes of or in connection with the Company's business or any part thereof or in the execution by the Company of any fiduciary office or capacity.

(10) To take part in the formation, management, supervision or control of the business or operations of any company or undertaking, and for that purpose to appoint and remunerate any Directors, accountants, or other experts or agents.

(11) To transact or carry on all kinds of agency business, and in particular in relation to the investment of money, the sale of property and the collection and receipt of money.

(12) To purchase, build, hire, charter, or otherwise own, hold, use and dispose of but not to deal in vessels, ships, aircraft, hovercraft, hydrofoils, motor vehicles, railways, and any other forms or systems of transport and their appurtenances.

(13) To grant licences or concessions over or in respect of any property or rights of the Company.

(14) To receive money, securities and property for safe custody or management and to act as custodians, attorneys, nominees, trustees, bailees or agents.

(15) To borrow or raise or secure the payment of money for the purposes of or in connection with the Company's business.

(16) To mortgage and charge the undertaking and all or any of the real and personal property and assets, present or future, and all or any of the uncalled capital for the time being of the Company and to issue at par or at a premium or discount and for such consideration and with and subject to such rights, powers, privileges and conditions as may be thought fit, debentures or debenture stock, either permanent or redeemable or repayable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance.

(17) To issue debentures, debenture stock, bonds, obligations and securities of all kinds, and to frame, constitute and secure the same, as may seem expedient, with full power to make the same transferable by delivery, or by instrument of transfer or otherwise and either perpetual or terminable, and either redeemable or otherwise and to charge or secure the same by trust, deed, or otherwise on the undertaking of the Company or upon any specific property and rights, present and future of the Company (including, if thought fit, uncalled capital) or otherwise howsoever.

(18) To issue and deposit any securities or property which the Company has power to issue or deposit by way of mortgage to secure any sum and also by way of security for the performance of any contract or obligation of the Company or of its customers or of any other persons or corporations as the Company may deem fit.

(19) To receive money, securities and property on deposit or loan upon such terms as the Company may approve.

(20) To make loans and advances to customers and others at interest or without interest and with or without security and upon such terms as the Company may approve.

(21) To draw, make, issue, accept, endorse, negotiate, discount, purchase and execute Promissory Notes, Bills of Exchange and other transferable or negotiable instruments.

(22) To guarantee the contracts of customers and others and generally to carry on and transact every kind of guarantee and indemnity business.

(23) To facilitate, promote and encourage the creation, issue or conversion of debentures, debenture stock, bonds, obligations, shares, stocks and securities, and to act as trustees in connection with any such securities and to take part in the conversion of business concerns and undertakings into companies.

(24) To employ experts to investigate and examine into the conditions, prospects, value, character and circumstances, of any business concerns and undertakings and generally of any assets, property or rights.

(25) To constitute any trusts with a view to the issue of preferred and deferred or any other special stocks or securities based on or representing any shares, stocks, or other assets specifically appropriated for the purposes of any such trust, and to settle and regulate, and, if thought fit, to undertake and execute any such trusts, and to issue, dispose of, or hold any such preferred, deferred or other special stocks or securities.

(26) To give any guarantee in relation to the payment of any debentures, debenture stock, bonds, obligations or securities and to guarantee the payment of interest thereon or of dividend on any stock or shares of any company.

(27) To undertake, create, declare and execute any Trusts.

(28) To erect, construct, lay down, enlarge, alter, and maintain any roads, railways, tramways, sidings, bridges, reservoirs, shops, stores, factories, buildings, works, plant and machinery necessary or convenient for the Company's business, and to contribute to or subsidise the erection, construction, and maintenance of any of the above.

(29) To grant pensions, allowances, gratuities and bonuses to officers, ex-officers, employees or ex-employees of the Company or its associates, subsidiaries or predecessors in business or the dependants or connections of such persons, to establish and maintain, or concur in establishing and maintaining trusts, funds or schemes (whether contributory or non-contributory) with a view to providing pensions or other benefits for any such persons as aforesaid, their dependants or connections and to support or subscribe to any charitable funds or institutions, the support of which may, in the opinion of the Directors, be calculated directly or indirectly to benefit the Company or its employees, and to institute and maintain any club or other establishment or profit-sharing scheme calculated to advance the interests of the Company or its officers or employees.

(30) To effect, purchase, sell and maintain policies of insurance whether whole life or life endowment or term policies on the lives of members, ex-members, officers, ex-officers, employees, ex-employees of or other persons having dealings with the Company.

(31) To invest and deal with the moneys of the Company not immediately required for the purposes of its business in or upon such investments or securities and in such manner as may from time to time be determined.

(32) To pay for any property or rights acquired by the Company and to remunerate any person or company either in cash or specie, or by the allotment of fully or partly paid-up shares, debentures or other securities which the Company has power to issue credited as paid-up in full or in part or otherwise, with or without preferred or deferred or guaranteed rights in respect of dividends or interest or repayment of capital or otherwise or partly in one mode and partly in another and generally on such terms as the Company may determine.

(33) To accept payment for any property or rights sold or otherwise disposed of or dealt with by the Company, either in cash or specie by instalments or otherwise, or in fully or partly paid-up shares of any company or corporation, with or without deferred or preferred or guaranteed rights in respect of dividend or repayment of capital or otherwise, or in debentures or mortgage debentures or debenture stock, mortgages, or other securities of any company or corporation, or partly in one mode and partly in another, and generally on

such terms as the Company may determine, and to hold, dispose of or otherwise deal with any specie, shares, stock or securities so acquired.

(34) To vest any real or personal property rights or interest acquired by or belonging to the Company in any person or company on behalf of or for the benefit of the Company, and with or without any declared trust in favour of the Company.

(35) To pay out of the funds of the Company all expenses which the Company may lawfully pay with respect to the formation and registration of the Company or the issue of its capital, including brokerage and commissions for obtaining applications for or taking, placing or underwriting or procuring the underwriting of shares, debentures or other securities of the Company.

(36) To subscribe for, take, or otherwise acquire and hold shares, stock, debentures, or other securities of any other company having objects altogether or in part similar to those of the Company, or carrying on any business capable of being conducted so as directly or indirectly to benefit the Company.

(37) To enter into any partnership or joint-purse arrangement or arrangement for sharing profits, union of interests or co-operation with any company, firm or person carrying on or proposing to carry on any business, and to acquire and hold, sell, deal with or dispose of shares, stock or securities of any such company, and to guarantee the contracts or liabilities of or the payment of the dividends, interest or capital of any shares, stock or securities of and to subsidise or otherwise assist any such company.

(38) To enter into any arrangements with any Governments or Authorities (supreme, municipal, local or otherwise) or any Corporations, Companies or persons that may seem conducive to this Company's objects or any of them, and to obtain from any such Government, Authority, Corporation, Company or persons, any charters, contracts, decrees, rights, privileges and concessions which the Company may think desirable and to carry out, exercise and comply with any such charters, contracts, decrees, rights, privileges, and concessions.

(39) To obtain any provisional order or Act of Tynwald or Act of Parliament for enabling the Company to carry any of its objects into effect, or for effecting any modification of the Company's Constitution, or for any other purpose which may seem expedient, and to oppose any proceedings or applications, which may seem calculated, directly or indirectly, to prejudice the Company's interests.

(40) To carry on any other trade or business whatsoever which can, in the opinion of the Board of Directors, be advantageously carried on by the Company in connection with or as ancillary to any of the above businesses or the general business of the Company.

(41) To acquire, undertake or participate in the whole or any part of the business, property and liabilities of any person, firm or company carrying on, participating in or proposing to carry on or participate in any business which the Company is authorised to carry on, or which is possessed of property suitable for the purposes of the Company, or which at the commencement of such acquisition, undertaking or participation appears to the satisfaction of the majority of the Directors of the Company to be a suitable business for the Company to acquire, undertake or participate in and for the avoidance of doubt it is hereby declared that the Company may be a proprietor, co-proprietor, partner or participator in any style or form of business, partnership, limited partnership or joint venture in whatsoever name conducted.

(42) To establish or promote or concur in establishing or promoting any other company whose objects shall include the acquisition and taking over of all or any of the assets and liabilities of this Company or the promoting of which shall be in any manner calculated to advance directly or indirectly the objects or interests of this Company, and to acquire and hold or dispose of shares, stock or securities of and guarantee the payment of the dividends, interest or capital of any shares, stock or securities issued by or any other obligations of any such company.

(43) To sell, improve, manage, develop, turn to account, exchange, let on rent, royalty, share of profits or otherwise grant licences, easements and other rights in or over, and in any other manner deal with or dispose of the undertaking and all or any of the property and assets for the time being of the Company in such manner and for such consideration as the Company may think fit.

(44) To amalgamate with any other company, whether by sale or purchase (for fully or partly paid-up shares or otherwise) of the undertaking, subject to the liabilities of this or any such other company as aforesaid, with or without winding up or by sale or purchase, (for fully or partly paid-up shares or otherwise) of all or a controlling interest in the shares or stock of this or any such other company as aforesaid, or by partnership, or any arrangement of the nature of partnership, or in any other manner.

(45) To distribute among the members in specie any property of the Company, or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction, if any, for the time being required by law.

(46) To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise.

(47) To procure the Company to be registered or recognised in the United Kingdom or in any British Colony or Dependency or in any foreign country or place.

(48) To do all such other things as are incidental or conducive to the above objects or any of them.

And it is hereby declared that the objects specified in each paragraph of this Clause shall except where otherwise expressed in such paragraph, be independent main objects and shall be in no wise limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company.

4. The liability of the members is limited.

5. The share capital of the Company is £2,000 divided into 2,000 shares of £1 each.

The Shares in the original or any increased capital may be divided into several classes, and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise.

WE, the several persons whose names, addresses and descriptions are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the Capital of the Company set opposite our respective names.

No.	Names, Addresses and Descriptions of Subscribers		No. of Shares taken by each Subscriber
	Neville Cooper Billington		
1.	NEVILLE COOPER BILLINGTON Dreemskella St Jude's Road Sulby Isle of Man	Chartered Accountant	One
	Richard Lawford Duncan Tucker		
2.	RICHARD LAWFORD DUNCAN TUCKER 7 Balladoyne St Johns Isle of Man	Chartered Accountant	One
	Total Number of Shares taken		Two

Dated this 14th day of August 1981

WITNESS to the above signatures -

K. J. CHRISTIAN
Briar Dene
Little Switzerland
Douglas
Isle of Man

K J Christian

Secretary

GENERAL REGISTRY, ISLE OF MAN
Registered in the Registry for Joint Stock Companies this 18th day of AUGUST 1981 at 3pm No. 21543.
C Coldale
Deputy Assistant Chief Registrar

No. of Company 18346-5 [1] [18.08.81]

The Companies Acts 1931-1974

18 AUG 021 0003.00 II OF.

SUBSCRIBERS' RESOLUTION APPOINTING THE FIRST DIRECTORS OF THE COMPANY

NAME OF COMPANY .. DALECROFT LIMITED ✓ .. ..

WE, the undersigned being the subscribers of the above named Company HEREBY appoint the following persons to be the first Directors of the Company :—

David Henry SNELLING
The Old Vicarage
Santon
Isle of Man

Chartered Accountant

Richard Lawford Duncan TUCKER
Kiondroughad
Balladoyne
St Johns
Isle of Man

Chartered Accountant

Paul MOORE
13 Ballaughton Manor Hill
Braddan
Isle of Man

Chartered Accountant

GENERAL REGISTRY, ISLE OF MAN
Registered in the Registry for Joint Stock Companies this 18th day of AUG. 1981 at 3pm No. 21552.
C Colclough
~~Deputy~~ Assistant Chief Registrar

N C Billington

Date 14th August 1981

R L D Tucker

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 223

No. of Company 18345 - 5

1 | 18.08.81

The Companies Acts 1931-1974

SUBSCRIBERS' RESOLUTION APPOINTING THE FIRST DIRECTORS OF THE COMPANY

NAME OF COMPANY CLAYCROFT LIMITED

WE, the undersigned being the subscribers of the above named Company HEREBY appoint the following persons to be the first Directors of the Company:—

David Henry SNELLING
The Old Vicarage
Santon
Isle of Man

Chartered Accountant

Richard Lawford Duncan TUCKER
Kiondroughad
Balladoyne
St Johns
Isle of Man

Chartered Accountant

Paul MOORE
13 Ballaughton Manor Hill
Braddan
Isle of Man

Chartered Accountant

GENERAL REGISTRY, ISLE OF MAN
Registered in the Registry for Joint Stock Companies this 18th day of AUG · 1981 at 3pm No. 21546.
Deputy Assistant Chief Registrar

N C Billington

R L D Tucker

Date 14th August 1981

No. of Company 18346-9 AR 18.03.83

"THE COMPANIES ACT, 1931"

FORM OF ANNUAL RETURN OF A COMPANY HAVING A SHARE CAPITAL

COMPANIES REGISTRATION

A Companies Registration Fee Stamp must be impressed here.

as required by Part IV of the Companies Act, 1931.

Annual return of DALECROFT **Limited, made up to the** Fourth **day of** March **19**83 **(being the fourteenth day after the date of the first or only Ordinary General Meeting in 19**83**).**

THE ADDRESS OF THE REGISTERED OFFICE OF THE COMPANY IS AS FOLLOWS :—

P.O. Box 23, Victory House
Prospect Hill, Douglas, Isle of Man

Summary of Share Capital and Shares*

1.	Nominal Share Capital, £ 2000 Divided into* 2000 Shares of £* 1 each	
2.	Total Number of Shares taken up to the 4th day of March 1983 being the date of the Return (which number must agree with the total shown in the list as held by existing members)	2
3.	Number of Shares issued subject to payment wholly in cash	-
4	Number of Shares issued as fully paid up otherwise than in cash	-
5.	Number of Shares issued as partly paid up to the extent of ..... per share otherwise than in cash	-
6.	†Number of Shares (if any) issued at a discount	-
7	" " " " " "	-
8	Total amount of discount on the issue of Shares which has not been written off at the date of this Return	£ -
9	‡There has been called up on each of 2 Shares	£ 1-00
10.	" " " " "	£ -
11.	" " " " "	£ -
12	§Total amount of Calls received, including payments on application and allotment	£ 2-00
13.	Total amount (if any) agreed to be considered as paid on Shares which have been issued as fully paid up otherwise than in cash	£ -
14	Total amount (if any) agreed to be considered as paid on Shares which have been issued as partly paid up to the extent of per Share otherwise than in cash	£ -
15.	Total amount of Calls unpaid	£ -
16.	Total amount of the sums (if any) paid by way of Commission in respect of any Shares or debentures or allowed by way of discount in respect of any debentures since the date of the last Return	£ -
17.	Total number of Shares forfeited	-
18.	Total amount paid (if any) on Shares forfeited	£ -
19.	Total amount of Shares for which Share Warrants to bearer are outstanding	£ -
20.	Total amount of Share Warrants to bearer issued and surrendered respectively since the date of the last return — Issued	£ -
	— Surrendered	£ -
21.	Number of Shares comprised in each Share Warrant to bearer	-
22.	Total amount of the indebtedness of the Company in respect of all mortgages and charges of the kind which are required (or, in the case of a Company registered in Scotland, which, if the Company had been registered in England, would be required) to be registered with the Registrar of Companies under the Companies Act, 1931.	£ NIL

NOTE. — Banking Companies must add a list of all their places of business.

The Return must be signed at the End by a Director or by the Manager or Secretary of the Company.

* Where there are Shares of different kinds or amounts (e g . Preference and Ordinary, or £1 and 5p) state the number and nominal values separately.
† If the Shares are of different kinds, state them separately
‡ Where various amounts have been called, or there are Shares of different kinds, state them separately.
§ Include what has been received on forfeited as well as on existing Shares

Delivered for filing by SNELLING, MOOR ....2227.. ..

2

List of Persons holding Shares in ....DALECROFT.... ....
Limited, on the....March.... ... ... day of ....March.... 19.83
the case of the first Return) of the Incorporation of the Company, showing their Names and
N.B.—If the names in this list are not arranged in alphabetical order, an index sufficient to enable

Folio in Register Ledger, containing Particulars	NAMES, ADDRESSES AND OCCUPATIONS			
	Surname	Christian Name	Address	Occupation
1	BILLINGTON	NEVILLE COOPER	Dreemskella, St Judes Road Sulby Bridge, Isle of Man	
1	TUCKER	RICHARD LAWRENCE JOHN	P O Box 23, Victory House Prospect Hill, Douglas, Isle of Man	
2	CLAYCROFT LTD		P.O Box 23, Victory House Prospect Hill, Douglas, Isle of Man	
2	SNELLING	DAVID HENRY	P.O. Box 23, Victory House Prospect Hill, Douglas, Isle of Man	

NOTE.—This margin is reserved for binding, and must not be written across.

Copy of last Audited Balance Sheet of the Company

NOTE— Except where the Company is (1) a "Private Company" within the meaning of Section 28 of the Companies Act, 1931, this Return must include a written copy, certified by a Director or by the Manager or Secretary of the Company to be a true copy, of the last balance sheet which has been audited by the Company's Auditors (including every document required by law to be annexed thereto) together with a copy of the report of the auditors thereon (certified as aforesaid), and if any such balance sheet is in a foreign language there must also be annexed to it a translation thereof in English certified in the prescribed manner to be a correct translation. If the said last balance sheet did not comply with the requirements of the law as in force at the date of the audit with respect to the form of balance sheets there must be made such additions to and corrections in the said copy as would have been required to be made in the said balance sheet in order to make it comply with the said requirements, and the fact that the said copy has been so amended must be stated thereon.

. . . . . .

and of persons who have held Shares therein at any time since the date of the last Return, or (in Addresses, and an Account of the Shares so held.

the name of any person in the list to be readily found must be annexed to this list.

ACCOUNT OF SHARES

*Number of Shares held by existing Members at date of Return†	‡Particulars of Shares Transferred since the date of the last Return, or (in the case of the first Return) of the incorporation of the Company, by persons who are still Members		‡Particulars of Shares Transferred since the date of the last Return, or (in the case of the first Return) of the incorporation of the Company, by persons who have ceased to be Members		REMARKS
	Number†	Date of Registration of Transfer	Number†	Date of Registration of Transfer	
			1	~~18 FEB 1983~~	
				26 NOV 1982	
1					
1					
2					

NOTE.—This margin is reserved for binding, and must not be written across.

GENERAL REGISTRY, ISLE OF MAN
Registered in the Registry
for Joint Stock Companies
this 18 day of May 19 83
at 3p No 8055

Assistant Chief Registrar

(Signature) . . . . . .

(State whether ~~Director or Manager or~~ Secretary) . . . . . .

* The aggregate Number of Shares held, and not the Distinctive Numbers, must be stated, and the column must be added up throughout, so as to make one total to agree with that stated in the Summary to have been taken up

† When the Shares are of different classes these columns may be sub-divided so that the number of each class held, or transferred, may be shown separately Where any Shares have been converted into Stock the amount of Stock held by each member must be shown

‡ The date of Registration of each Transfer should be given as well as the Number of Shares transferred on each date. The Particulars should be placed opposite the name of the Transferor, and not opposite that of the Transferee, but the name of the Transferee may be inserted in the "Remarks" column immediately opposite the particulars of each Transfer

Particulars of the *Directors of DALECROFT

Limited, at the date of Annual Return.

†The Present Christian name or names and surname	Any former Christian name or names or surname	Nationality	Nationality of origin (if other than the present nationality)	Usual Residential Address	‡Other business occupation if any. If none state so
DAVID HENRY SNELLING		BRITISH		The Old Vicarage Santon, Isle of Man	CHARTERED ACCOUNTANT
PAUL MOORE		BRITISH		13 Ballaughton Manor Hill Braddan, Isle of Man	CHARTERED ACCOUNTANT

Particulars of the person who is Secretary of the Company at the date of this Return.

PHILIP PETER SCALES				5 Third Avenue Douglas, Isle of Man	

* "Director" includes any person who occupies the position of a Director by whatever name called, and any person in accordance with whose directions or instructions the Directors of a Company are accustomed to act.

† In the case of a Corporation its corporate name and registered or principal office should be shown

‡ In the case of an individual who has no business occupation but holds any other directorship or directorships, particulars of that directorship or of some one of those directorships must be entered

Private Company

Certificates to be given by a Private Company:

A. I certify that the Company has not since the date of the *last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company.

(Signature).. . . . . .

(State whether Director or Secretary)

B. Should the number of members of the Company exceed fifty the following Certificate is also required :—I certify that the excess of members of the Company above fifty consists wholly of persons who are in the employment of the Company and/or of persons who, having been formerly in the employment of the Company were while in such employment, and have continued after the determination of such employment to be, members of the Company.

(Signature).. . . . . .

(State whether Director or Secretary)

* In the case of the first Annual Return strike out the words "last Annual Return" and substitute therefor the words "incorporation of the Company"

NOTE.—This margin is reserved for binding, and must not be written across.

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No. of Company..... 18345 ..... AR 14.03.83

"THE COMPANIES ACT, 1931"

FORM OF ANNUAL RETURN OF A COMPANY HAVING A SHARE CAPITAL

COMPANIES REGISTRATION

A Companies Registration Fee Stamp must be impressed here.

as required by Part IV of the Companies Act, 1931.

Annual return of ..... CLAYCROFT ..... **Limited, made up to the** .... fourth .. **day of** March ... . 19 83 **(being the fourteenth day after the date of the first or only Ordinary General Meeting in 19.83).**

THE ADDRESS OF THE REGISTERED OFFICE OF THE COMPANY IS AS FOLLOWS :—

P.O. Box 23, Victory House, Prospect Hill, Douglas, Isle of Man.

Summary of Share Capital and Shares*

1.	Nominal Share Capital, £...2000... Divided into* ....2000.... Shares of £*	...1..each .....
2	Total Number of Shares taken up* to the ....4.. day of.....March.....1983 being the date of the Return (which number must agree with the total shown in the list as held by existing members)	...../..... ....2....
3	Number of Shares issued subject to payment wholly in cash	....2.....
4	Number of Shares issued as fully paid up otherwise than in cash	.....
5.	Number of Shares issued as partly paid up to the extent of..... ..... per share otherwise than in cash	/ .....
6	†Number of Shares (if any) issued at a discount	.....
7	" " " " " " "	.....
8.	Total amount of discount on the issue of Shares which has not been written off at the date of this Return	£.....
9.	‡There has been called up on each of .... 2 ... Shares	£..1.....
10.	" " " ..... "	£. /.....
11.	" " " ..... "	£.....
12.	§Total amount of Calls received, including payments on application and allotment ...	£.2.....
13.	Total amount (if any) agreed to be considered as paid on ... ... Shares which have been issued as fully paid up otherwise than in cash	£.....
14	Total amount (if any) agreed to be considered as paid on ... ... Shares which have been issued as partly paid up to the extent of .... per Share otherwise than in cash	£.....
15.	Total amount of Calls unpaid	£.....
16	Total amount of the sums (if any) paid by way of Commission in respect of any Shares or debentures or allowed by way of discount in respect of any debentures since the date of the last Return	£ .....
17.	Total number of Shares forfeited	.....
18.	Total amount paid (if any) on Shares forfeited	£.....
19.	Total amount of Shares for which Share Warrants to bearer are outstanding	£.....
20.	Total amount of Share Warrants to bearer issued and surrendered respectively since the date of the last return ... ... Issued ... Surrendered ...	£..... £.....
21.	Number of Shares comprised in each Share Warrant to bearer	.....
22.	Total amount of the indebtedness of the Company in respect of all mortgages and charges of the kind which are required (or, in the case of a Company registered in Scotland, which, if the Company had been registered in England, would be required) to be registered with the Registrar of Companies under the Companies Act, 1931.	£...Nil...

NOTE. — Banking Companies must add a list of all their places of business.

The Return must be signed at the End by a Director or by the Manager or Secretary of the Company.

* *Where there are Shares of different kinds or amounts (e.g., Preference and Ordinary, or £1 and 5p) state the number and nominal values separately.*
† *If the Shares are of different kinds, state them separately.*
‡ *Where various amounts have been called, or there are Shares of different kinds, state them separately.*
§ *Include what has been received on forfeited as well as on existing Shares*

Delivered for filing by ..... SNELLING, M... ..... 22...

(P.T.O.)

2

List of Persons holding Shares in CLAYCROFT ..... **Limited, on the** 4th ..... **day of** March **19**83, **the case of the first Return) of the Incorporation of the Company, showing their Names and**

N.B.—If the names in this list are not arranged in alphabetical order, an index sufficient to enable

Folio in Register Ledger, containing Particulars	NAMES, ADDRESSES AND OCCUPATIONS			
	Surname	Christian Name	Address	Occupation
1.	BILLINGTON	NEVILLE COOPER	Dreamskella, St Judes Road Sulby Bridge Isle of Man	
1	TOCKER	RICHARD LAWFORD DIXON.	P O Box 23, Victory House Prospect Hill Douglas, Isle of Man	
2	DALECROFT	LTD	P.O. Box 23, Victory House Prospect Hill, Douglas, Isle of Man	
2	SNELLING	DAVID HENRY	P O Box 23, Victory House Prospect Hill, Douglas, Isle of Man	

NOTE.—This margin is reserved for binding, and must not be written across.

Copy of last Audited Balance Sheet of the Company

NOTE—Except where the Company is (1) a "Private Company" within the meaning of Section 26 of the Companies Act, 1931, this Return must include a written copy, certified by a Director or by the Manager or Secretary of the Company to be a true copy, of the last balance sheet which has been audited by the Company's Auditors (including every document required by law to be annexed thereto) together with a copy of the report of the auditors thereon (certified as aforesaid), and if any such balance sheet is in a foreign language there must also be annexed to it a translation thereof in English certified in the prescribed manner to be a correct translation. If the said last balance sheet did not comply with the requirements of the law as in force at the date of the audit with respect to the form of balance sheets there must be made such additions to and corrections in the said copy as would have been required to be made in the said balance sheet in order to make it comply with the said requirements, and the fact that the said copy has been so amended must be stated thereon

....

and of persons who have held Shares therein at any time since the date of the last Return, or (in
Addresses, and an Account of the Shares so held.

the name of any person in the list to be readily found must be annexed to this list.

ACCOUNT OF SHARES

*Number of Shares held by existing Members at date of Return†	‡Particulars of Shares Transferred since the date of the last Return, or (in the case of the first Return) of the incorporation of the Company, by persons who are still Members		‡Particulars of Shares Transferred since the date of the last Return, or (in the case of the first Return) of the incorporation of the Company, by persons who have ceased to be Members		REMARKS
	Number†	Date of Registration of Transfer	Number†	Date of Registration of Transfer	
			1	15-2-83	
			1	26-11-82	
1					
1					
2					

GENERAL REGISTRY ISLE OF MAN
Registered in the Registry
for Joint Stock Companies
this 18 day of MAY 1983
at 3pm No. 8056
Assistant Chief Registrar

(Signature).. .....

(State whether ~~Director or Manager or~~ Secretary).. .....

NOTE.—This margin is reserved for binding, and must not be written across.

* The aggregate Number of Shares held, and not the Distinctive Numbers, must be stated, and the column must be added up throughout, so as to make one total to agree with that stated in the Summary to have been taken up

† When the Shares are of different classes these columns may be sub-divided so that the number of each class held, or transferred, may be shown separately. Where any Shares have been converted into Stock the amount of Stock held by each member must be shown

‡ The date of Registration of each Transfer should be given as well as the Number of Shares transferred on each date. The Particulars should be placed opposite the name of the Transferor, and not opposite that of the Transferee, but the name of the Transferee may be inserted in the "Remarks" column immediately opposite the particulars of each Transfer

Particulars of the *Directors of ..... CLAYCROFT ..... **Limited, at the date of Annual Return.**

†The Present Christian name or names and surname	Any former Christian name or names or surname	Nationality	Nationality of origin (if other than the present nationality)	Usual Residential Address	‡Other business occupation if any. If none state so
DAVID HENRY SNELLING		BRITISH		The Old Vicarage Santon, Isle of Man	CHARTERED ACCOUNTANT
PAUL MOORE		BRITISH		13 Ballaughton Manor Hill Braddan, Isle of Man	CHARTERED ACCOUNTANT

Particulars of the person who is Secretary of the Company at the date of this Return.

PHILIP PETER SCALES				5 Third Avenue Douglas, Isle of Man	

* "Director" includes any person who occupies the position of a Director by whatever name called, and any person in accordance with whose directions or instructions the Directors of a Company are accustomed to act.
† In the case of a Corporation its corporate name and registered or principal office should be shown
‡ In the case of an individual who has no business occupation but holds any other directorship or directorships, particulars of that directorship or of some one of those directorships must be entered

Private Company

Certificates to be given by a Private Company

A. I certify that the Company has not since the date of the *last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company.

(Signature). .....

(State whether ~~Director or~~ Secretary)

B. Should the number of members of the Company exceed fifty the following Certificate is also required:—I certify that the excess of members of the Company above fifty consists wholly of persons who are in the employment of the Company and/or of persons who, having been formerly in the employment of the Company were while in such employment, and have continued after the determination of such employment to be, members of the Company.

(Signature). .....

(State whether Director or Secretary)

* In the case of the first Annual Return strike out the words "last Annual Return" and substitute therefor the words "Incorporation of the Company"

NOTE.—This margin is reserved for binding, and must not be written across.

2156

Company number 18346

Section 1

THE COMPANIES ACTS 1931 TO 1993

Form of Annual Return of a Company having a Share Capital
(other than a company limited by guarantee) pursuant to sections 107 and 340 of the Companies Act 1931 (as amended)

Annual Return of : **DALECROFT LIMITED**

made up to the **14th day of January 2000**
being the company's return date

The Address of the Registered Office of the Company is as follows :

19 MOUNT HAVELOCK
DOUGLAS
ISLE OF MAN

Principal trade or business carried on by the company since the last annual return (or incorporation if this is the first annual return)
NOMINEE

Is there a non resident company declaration or a certificate under section 9 (2) of the Non Resident Company duty 1986 in force in respect of the Company **NO**

If the answer to the last question is YES.

(a) has the central management and control of the company been in the Isle of Man at any time since the last annual return (or incorporation if this is the first annual return) **N/A**

(b) has the company derived any income from any property, trade, business or other source in the Isle of Man since the last annual return (or incorporation if this is the first annual return)**N/A**

Has the company been a stakeholder as defined in section 20 of the Timeshare Act 1996 at any time since the last annual return date, or, if no annual return has been previously delivered, at any time since incorporation? **NO**

If the answer to the last question is YES and the company is a company limited by shares

(a) has the company issued shares fully paid up in cash of the minimum nominal value required by section 109(3B)(a) of the Companies Act 1931? **N/A**

(b) does the company hold indemnity insurance for such sum and in respect of such liabilities as are specified in section 109(3B)(b) of the Companies Act 1931? **N/A**

Total amount of indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies **Nil**

Presented by **Triskelion Trust Company Limited**
19 MOUNT HAVELOCK
DOUGLAS

GENERAL REGISTRY I.O.M. COMPANIES REGISTRY		
	INITIALS	DATE
FILED	[illegible]	14/1/00

DATA CENTRE
CoSecPac

Section 2

Annual Return of . **DALECROFT LIMITED**
made up to the **14th day of January 2000**

Authorised Share Capital
£ 2000.00 Divided into :-
2000 Ordinary Shares of £1.00

			Amount/Share	Number	Class
1	Number of shares of each class taken up to the date of this return			2	Ordinary
2	Number of shares of each class issued subject to payment wholly in cash			2	Ordinary
3	Number of shares of each class issued as fully paid up for a consideration other than cash			Nil	
4	Number of shares of each class issued as partly paid up for a consideration other than cash and the extent to which each such share is so paid up			Nil	
5	Number of shares (if any) of each class issued at a discount			Nil	
6	Amount of discount on the issue of shares which has not been written off			Nil	
7	Amount per share called up on number of shares of each class	£	1 00	2	Ordinary
8	Total amount of calls received including payments on application and allotment	£	2 00		Ordinary
9	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid for consideration other than cash			Nil	
10	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid for consideration other than cash			Nil	
11	Total amount of calls unpaid			Nil	
12	Total amount of sums (if any) paid by way of commission in respect of any shares or debentures			Nil	
13	Total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last annual return			Nil	
14	Total number of shares of each class forfeited			Nil	
15	Total amount paid (if any) on shares forfeited			Nil	
16	Total amount of shares for which share warrants to bearer are outstanding			Nil	
17	Total amount of share warrants to bearer surrendered since last return			Nil	
17a	Total amount of share warrants to bearer issued since last return			Nil	
18	Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind			Nil	

Private Company

Certificate to be given by a Private Company

I certify that Company has not since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company

(Signature) ..... Peter Yaxley ..... DIRECTOR

(State whether Director or Secretary)

DATA CENTRE
CoSecPac

Annual Return of : DALECROFT LIMITED **Section 3**

made up to the 14th day of January 2000

List of past and present members

Folio in register of members	Name and Address	Number of shares or amount of stock held by an existing member at date of return		Particulars of shares transferred since the date of the last return, or, in the case of the first return, of the incorporation of the company, by (a) persons who are still members, and (b) persons who have ceased to be members			
				Number	(a)	(b)	Remarks
CLAYCROFT	Claycroft Limited, 19 Mount Havelock, Douglas, Isle of Man	1 00	Ordinary				
MOOREP	Mr Paul Moore, Crofton, West Baldwin, Isle of Man, IM4 5ET	1 00	Ordinary				

Annual Return of : DALECROFT LIMITED

Section 4

made up to the 14th day of January 2000

Particulars of the directors of the company at the date of the return

Name	Mr Paul Moore	**Occupation**	Chartered Accountant
Address	Crofton, West Baldwin, Isle of Man, IM4 5ET	**Nationality**	British
Name	Mrs Pamela Ann Young	**Occupation**	Chartered Accountant
Address	Cronk Veg, Glen Road, Colby, Isle of Man	**Nationality**	Manx
Name	MS Ann Nicholson	**Occupation**	Company Administratr
Address	26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man	**Nationality**	British

The Secretary/Secretaries of the company at the date of this return

Name	E P Secretaries Limited
Address	Europlan House, 19 Mount Havelock, Douglas, Isle of Man

I/We certify this return which comprises Sections 1,2,3 & 4

(Signature) ..... P Young DIRECTOR

(State whether Director, Manager or Secretary)

DATA CENTRE

CoSecPac

Company number 18345

Section 1

THE COMPANIES ACTS 1931 TO 1993

Form of Annual Return of a Company having a Share Capital

(other than a company limited by guarantee) pursuant to sections 107 and 340 of the Companies Act 1931 (as amended)

Annual Return of . **CLAYCROFT LIMITED**

made up to the **14th day of January 2000**

being the company's return date

The Address of the Registered Office of the Company is as follows :

19 MOUNT HAVELOCK
DOUGLAS
ISLE OF MAN

Principal trade or business carried on by the company since the last annual return (or incorporation if this is the first annual return)

NOMINEE

Is there a non resident company declaration or a certificate under section 9 (2) of the Non Resident Company duty 1986 in force in respect of the Company **NO**

If the answer to the last question is YES

(a) has the central management and control of the company been in the Isle of Man at any time since the last annual return (or incorporation if this is the first annual return) **N/A**

(b) has the company derived any income from any property, trade, business or other source in the Isle of Man since the last annual return (or incorporation if this is the first annual return)**N/A**

Has the company been a stakeholder as defined in section 20 of the Timeshare Act 1996 at any time since the last annual return date, or, if no annual return has been previously delivered, at any time since incorporation? **NO**

If the answer to the last question is YES and the company is a company limited by shares :

(a) has the company issued shares fully paid up in cash of the minimum nominal value required by section 109(3B)(a) of the Companies Act 1931? **N/A**

(b) does the company hold indemnity insurance for such sum and in respect of such liabilities as are specified in section 109(3B)(b) of the Companies Act 1931? **N/A**

Total amount of indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies **Nil**

Presented by **Triskelion Trust Company Limited**
19 MOUNT HAVELOCK
DOUGLAS

GENERAL REGISTRY I.O.M. COMPANIES REGISTRY		
	INITIALS	DATE
FILED		14/1/00

DATA CENTRE
CoSecPac

Section 2

Annual Return of . **CLAYCROFT LIMITED**

made up to the **14th day of January 2000**

Authorised Share Capital

£ 2000.00 Divided into :-

2000 Ordinary Shares of £1.00

			Amount/Share	Number	Class
1	Number of shares of each class taken up to the date of this return			2	Ordinary
2	Number of shares of each class issued subject to payment wholly in cash			2	Ordinary
3	Number of shares of each class issued as fully paid up for a consideration other than cash			Nil	
4	Number of shares of each class issued as partly paid up for a consideration other than cash and the extent to which each such share is so paid up			Nil	
5	Number of shares (if any) of each class issued at a discount			Nil	
6	Amount of discount on the issue of shares which has not been written off			Nil	
7	Amount per share called up on number of shares of each class	£	1 00	2	Ordinary
8	Total amount of calls received including payments on application and allotment	£	2 00		Ordinary
9	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid for consideration other than cash			Nil	
10	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid for consideration other than cash			Nil	
11	Total amount of calls unpaid			Nil	
12	Total amount of sums (if any) paid by way of commission in respect of any shares or debentures			Nil	
13	Total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last annual return			Nil	
14	Total number of shares of each class forfeited			Nil	
15	Total amount paid (if any) on shares forfeited			Nil	
16	Total amount of shares for which share warrants to bearer are outstanding			Nil	
17	Total amount of share warrants to bearer surrendered since last return			Nil	
17a	Total amount of share warrants to bearer issued since last return			Nil	
18	Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind			Nil	

Private Company

Certificate to be given by a Private Company

I certify that Company has not since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company

(Signature) . . . . . Ronn Young ..... DIRECTOR . . . . .

(State whether Director or Secretary)

DATA CENTRE

CoSecPac

Annual Return of : **CLAYCROFT LIMITED** **Section 3**

made up to the **14th day of January 2000**

List of past and present members

Folio in register of members	Name and Address	Number of shares or amount of stock held by an existing member at date of return		Particulars of shares transferred since the date of the last return, or, in the case of the first return, of the incorporation of the company, by (a) persons who are still members, and (b) persons who have ceased to be members			
				Number	(a)	(b)	Remarks
DALECROFT	Dalecroft Limited, 19 Mount Havelock, Douglas, Isle of Man	1 00	Ordinary				
MOOREP	Mr Paul Moore, Crofton, West Baldwin, Isle of Man, IM4 5ET	1 00	Ordinary				

Annual Return of : CLAYCROFT LIMITED **Section 4**

made up to the 14th day of January 2000

Particulars of the directors of the company at the date of the return

Name Mr Paul Moore
Address Crofton, West Baldwin, Isle of Man, IM4 5ET
Occupation Chartered Accountant
Nationality British

Name Mrs Pamela Ann Young
Address Cronk Veg, Glen Road, Colby, Isle of Man
Occupation Chartered Accountant
Nationality Manx

Name MS Ann Nicholson
Address 26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man
Occupation Company Administratr
Nationality British

The Secretary/Secretaries of the company at the date of this return

Name E P Secretaries Limited
Address Europlan House, 19 Mount Havelock, Douglas, Isle of Man

I/We certify this return which comprises Sections 1,2,3 & 4

(Signature) ..... P. Young ... DIRECTOR
(State whether Director, Manager or Secretary)

DATA CENTRE

CoSecPac

Company Number : 18346 - 31 AR 23.01.98 Section

THE COMPANIES ACT 1931 TO 1993

Form of Annual Return of a Company having a Share Capital

(other than a company limited by guarantee) pursuant to sections 107 and 340 of the Companies Act 1931 (as amended)

Annual Return of : DALECROFT LIMITED
made up to the 14/01/98
being the company's return date

The Address of the Registered Office of the Company is as follows :
19 MOUNT HAVELOCK
DOUGLAS
ISLE OF MAN

Principal trade or business carried on by the company since the last annual return (or incorporation if this is the first annual return)

NOMINEE

Is there a non resident company declaration or a certificate under section 9 (2) of the Non Resident Company duty 1986 in force in respect of the Company NO

If the answer to the last question is YES

(a) has the central management and control of the company been in the Isle of Man at any time since the last annual return (or incorporation if this is the first annual return) N/A

(b) has the company derived any income from any property, trade, business or other source in the Isle of Man since the last annual return (or incorporation if this is the first annual return) N/A

Has the company been a stakeholder as defined in section 20 of the Timeshare Act 1996 at any time since the last annual return date, or, if no annual return has been previously delivered, at any time since incorporation? NO

If the answer to the last question is YES and the company is a company limited by shares

(a) has the company issued shares fully paid up in cash of the minimum nominal value required by section 109(3B)(a) of the Companies Act 1931? N/A

(b) does the company hold indemnity insurance for such sum and in respect of such liabilities as are specified in section 109(3B)(b) of the Companies Act 1931? N/A

Total amount of indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies £ Nil

DOCUMENT PROCESSED
INITIAL ME
DATE 23-1-98

Prepared by : Europlan Trust Company (IOM) Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 227

Annual Return of : DALECROFT LIMITED **Section 2**
made up to the 14/01/98

Authorised Share Capital **Issued**

£ 2,000 Divided into :
2,000 ORDINARY of £ 1.00 each

Issued share capital and debentures			**Number Class**
1 Number of shares of each class taken up to the date of this return			2 ORDINARY
2 Number of shares of each class issued subject to payment wholly in cash			2 ORDINARY
3 Number of shares of each class issued as fully paid up for a consideration other than cash			Nil
		Amount/Share	
4 Number of shares of each class issued as partly paid up for a consideration other than cash and the extent to which each such share is so paid up			Nil
5 Number of shares (if any) of each class issued at a discount			Nil
6 Amount of discount on the issue of shares which has not been written off			Nil
7 Amount per share called up on number of shares for each class	£	1.00	2 ORDINARY
8 Total amount of calls received including payments on application and allotment	£	2.00	
9 Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid for consideration other than cash			Nil
10 Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid for consideration other than cash			Nil
11 Total amount of calls unpaid			Nil
12 Total amount of sums (if any) paid by way of commission in respect of any shares or debentures			Nil
13 Total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last annual return			Nil
14 Total number of shares of each class forfeited			Nil
15 Total amount paid (if any) on shares forfeited			Nil
16 Total amount of shares for which share warrants to bearer are outstanding			Nil
17 Total amount of share warrants to bearer surrendered since last return			Nil
17 Total amount of share warrants to bearer issued since last return			Nil
18 Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind			Nil

Private Company
Certificate to be given by A Private Company

I certify that Company has not since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company

(Signature)

(State whether Director or Secretary)

Prepared by : Europlan Trust Company (IOM) Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Annual Return of : DALECROFT LIMITED **Section 3**
made up to the 14/01/98

List of past and present members

Folio in register of members	Name and Address	Number of shares or amount of stock held by an existing member at date of return	Particulars of shares transferred since the date of the last return, or, in the case of the first return, of incorporation of the company, by (a) persons who are still members, and (b) persons who have ceased to be members			
			Number	(a)	(b)	Remarks
SNELLINGDH	David Henry Snelling, The Old Vicarage, Santon, Isle of Man		1 00		20/10/97	ORDINARY - To MOOREP
CLAYCROFT	Claycroft Limited, 19 Mount Havelock, Douglas, Isle of Man	1 00 ORDINARY				
MOOREP	Paul Moore, 63 Ballanard Road, Douglas, Isle of Man	1 00 ORDINARY				

Annual Return of : DALECROFT LIMITED **Section 4**
made up to the 14/01/98

Particulars of the directors of the company at the date of the return

Name : Paul Moore **Occupation** : Chartered Accountant
Address : 63 Ballanard Road, Douglas, Isle of Man **Nationality** : British

Name : David Henry Snelling **Occupation** : Chartered Accountant
Address : The Old Vicarage, Santon, Isle of Man **Nationality** : British

Name : Pamela Ann Young **Occupation** : Chartered Accountant
Address : Meadow View, Ballakeyll, Ballagawne Colby, Isle of Man **Nationality** : Manx

The Secretary/Secretaries of the company at the date of this return

Name : E.P.Secretaries Limited
Address : Europlan House, 19 Mount Havelock, Douglas, Isle of Man

I/We certify this return which comprises Sections 1,2,3, & 4

(Signature) .....
(State whether Director, Manager, or Secretary)

Prepared by : Europlan Trust Company (IOM) Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number 18346 32

GENERAL REGISTRY 22 APR 1998 ISLE OF MAN

9N

22.04.98

FORM 9N

THE COMPANIES ACTS 1931 TO 1992

NOTICE OF CHANGE OF DIRECTORS OR SECRETARIES OR IN THEIR PARTICULARS

Pursuant to Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982

To the Chief Registrar

Name of Company

DALECROFT LIMITED

hereby notifies you in accordance with Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982 that

David Henry Snelling, The Old Vicarage, Santon, Isle of Man, resigned as director on 31/03/98

DOCUMENT PROCESSED	
INITIAL	DATE
JBE	22.4.98

310393

Signed ..... Director/Secretary Date .....

Prepared by : Triskelion Trust Company Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number | 18346 |

GENERAL REGISTRY 22 APR 1998 ISLE OF MAN

FORM 9N

THE COMPANIES ACTS 1931 TO 1992

NOTICE OF CHANGE OF DIRECTORS OR SECRETARIES OR IN THEIR PARTICULARS

Pursuant to Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982

To the Chief Registrar

Name of Company

DALECROFT LIMITED

hereby notifies you in accordance with Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982 that

Ann Nicholson, 26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man, appointed as director on 31/03/98

Particulars of new director or secretary

Name : **Ann Nicholson**

Former Name(s) :

Address : **26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man**

I/We hereby consent to act as director of the company named above

Signed A. Nicholson ..... Date .....

Nationality : **British**
Business Occupation : **Company Administratr**

Signed ... P. Young ..... Director/Secretary Date 1 0 3 9 8

Prepared by : Triskelion Trust Company Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number 18346 -33. 9N 07.09.98 FORM 9N

THE COMPANIES ACTS 1931 TO 1992

NOTICE OF CHANGE OF DIRECTORS OR SECRETARIES OR IN THEIR PARTICULARS

Pursuant to Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies

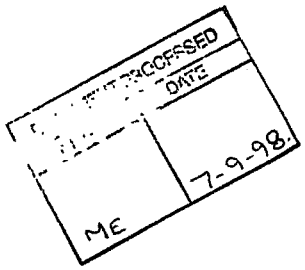
To the Chief Registrar

Name of Company

DALECROFT LIMITED

hereby notifies you in accordance with Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982 that

Pamela Ann Young, , has changed address to Cronk Veg, Glen Road, Colby, Isle of Man, on 28/08/98



040998

Signed Pam Young Director/Secretary Date .....

Prepared by : Triskelion Trust Company Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number : 18345 - 30 AR 23.01.98 **Section**

THE COMPANIES ACT 1931 TO 1993

Form of Annual Return of a Company having a Share Capital

(other than a company limited by guarantee) pursuant to sections 107 and 340 of the Companies Act 1931 (as amended)

Annual Return of : CLAYCROFT LIMITED
made up to the 14/01/98
being the company's return date

The Address of the Registered Office of the Company is as follows :
19 MOUNT HAVELOCK
DOUGLAS
ISLE OF MAN

Principal trade or business carried on by the company since the last annual return (or incorporation if this is the first annual return)

NOMINEE

Is there a non resident company declaration or a certificate under section 9 (2) of the Non Resident Company duty 1986 in force in respect of the Company — NO

If the answer to the last question is YES

(a) has the central management and control of the company been in the Isle of Man at any time since the last annual return (or incorporation if this is the first annual return) — N/A

(b) has the company derived any income from any property, trade, business or other source in the Isle of Man since the last annual return (or incorporation if this is the first annual return) — N/A

Has the company been a stakeholder as defined in section 20 of the Timeshare Act 1996 at any time since the last annual return date, or, if no annual return has been previously delivered, at any time since incorporation? — NO

If the answer to the last question is YES and the company is a company limited by shares

(a) has the company issued shares fully paid up in cash of the minimum nominal value required by section 109(3B)(a) of the Companies Act 1931? — N/A

(b) does the company hold indemnity insurance for such sum and in respect of such liabilities as are specified in section 109(3B)(b) of the Companies Act 1931? — N/A

Total amount of indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies — £ Nil

DOCUMENT PROCESSED DATE 23-1-98 ME

Prepared by : Europlan Trust Company (IOM) Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 227

Annual Return of : CLAYCROFT LIMITED
made up to the 14/01/98

Section 2

Authorised Share Capital

				Issued
£	2,000	Divided into :		
	2,000	ORDINARY	of £ 1.00 each	

Issued share capital and debentures

		Amount/Share	**Number Class**
1	Number of shares of each class taken up to the date of this return		2 ORDINARY
2	Number of shares of each class issued subject to payment wholly in cash		2 ORDINARY
3	Number of shares of each class issued as fully paid up for a consideration other than cash		Nil
4	Number of shares of each class issued as partly paid up for a consideration other than cash and the extent to which each such share is so paid up		Nil
5	[redacted]mber of shares (if any) of each class issued at a discount		Nil
6	Amount of discount on the issue of shares which has not been written off		Nil
7	Amount per share called up on number of shares for each class	£ 1.00	2 ORDINARY
8	Total amount of calls received including payments on application and allotment	£ 2.00	
9	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid for consideration other than cash		Nil
10	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid for consideration other than cash		Nil
11	Total amount of calls unpaid		Nil
12	Total amount of sums (if any) paid by way of commission in respect of any shares or debentures		Nil
13	Total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last annual return		Nil
14	Total number of shares of each class forfeited		Nil
15	Total amount paid (if any) on shares forfeited		Nil
16	[redacted]tal amount of shares for which share warrants to bearer are outstanding		Nil
17	Total amount of share warrants to bearer surrendered since last return		Nil
17a	Total amount of share warrants to bearer issued since last return		Nil
18	Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind		Nil

Private Company
Certificate to be given by A Private Company

I certify that Company has not since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the Company

(Signature)

(State whether Director or Secretary)

Prepared by : Europlan Trust Company (IOM) Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Annual Return of : CLAYCROFT LIMITED **Section 3**
made up to the 14/01/98

List of past and present members

Folio in register of members	Name and Address	Number of shares or amount of stock held by an existing member at date of return	Particulars of shares transferred since the date of the last return, or, in the case of the first return, of incorporation of the company, by (a) persons who are still members, and (b) persons who have ceased to be members			
			Number	(a)	(b)	Remarks
SNELLINGDH	David Henry Snelling, The Old Vicarage, Santon, Isle of Man		1 00		20/10/97	ORDINARY - To MOOREP
DALECROFT	Dalecroft Limited, 19 Mount Havelock, Douglas, Isle of Man	1 00 ORDINARY				
MOOREP	Paul Moore, 63 Ballanard Road, Douglas, Isle of Man	1 00 ORDINARY				

Annual Return of : CLAYCROFT LIMITED
made up to the 14/01/98

Section 4

Particulars of the directors of the company at the date of the return

Name : Paul Moore
Address : 63 Ballanard Road, Douglas, Isle of Man
Occupation : Chartered Accountant
Nationality : British

Name : David Henry Snelling
Address : The Old Vicarage, Santon, Isle of Man
Occupation : Chartered Accountant
Nationality : British

Name : Pamela Ann Young
Address : Meadow View, Ballakeyll, Ballagawne Colby, Isle of Man
Occupation : Chartered Accountant
Nationality : Manx

The Secretary/Secretaries of the company at the date of this return

Name : E.P.Secretaries Limited
Address : Europlan House, 19 Mount Havelock, Douglas, Isle of Man

I/We certify this return which comprises Sections 1,2,3, & 4

(Signature) .....
(State whether Director, Manager, or Secretary)

Prepared by : Europlan Trust Company (IOM) Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number 18345 - 31

GENERAL REGISTRY 22 APR 1998 ISLE OF MAN

9N

FORM 9N

22.04.98

THE COMPANIES ACTS 1931 TO 1992

NOTICE OF CHANGE OF DIRECTORS OR SECRETARIES OR IN THEIR PARTICULARS

Pursuant to Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982

To the Chief Registrar

Name of Company

CLAYCROFT LIMITED

hereby notifies you in accordance with Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982 that

David Henry Snelling, The Old Vicarage, Santon, Isle of Man, resigned as director on 31/03/98

DOCUMENT PROCESSED	
INITIAL	DATE
JBE	22.4.98

Signed ..... Director/Secretary Date 31/03/98

Prepared by : Triskelion Trust Company Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number | 18345 |

GENERAL REGISTRY 22 APR 1998 ISLE OF MAN

FORM 9N

THE COMPANIES ACTS 1931 TO 1992

NOTICE OF CHANGE OF DIRECTORS OR SECRETARIES OR IN THEIR PARTICULARS

Pursuant to Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982

To the Chief Registrar

Name of Company

CLAYCROFT LIMITED

hereby notifies you in accordance with Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982 that .

Ann Nicholson, 26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man, appointed as director on 31/03/98

Particulars of new director or secretary

Name : Ann Nicholson

Former Name(s) :

Address : 26 Meadow Crescent, Ashbourne Park, Braddan, Isle of Man

I/We hereby consent to act as director of the company named above

Signed A Nicholson Date .....

Nationality : British
Business Occupation : Company Administratr

310590

Signed Pam Young Director/Secretary Date .....

Prepared by : Triskelion Trust Company Limited
on CoSecPac by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

Company Number 18345 -32 9N 04.09.98 FORM 9N

THE COMPANIES ACTS 1931 TO 1992

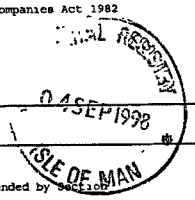
NOTICE OF CHANGE OF DIRECTORS OR SECRETARIES OR IN THEIR PARTICULARS

Pursuant to Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982

To the Chief Registrar

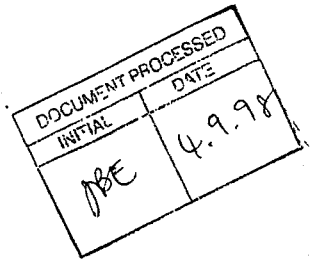
Name of Company

CLAYCROFT LIMITED



hereby notifies you in accordance with Section 143 of the Companies Act 1931 as amended by Section 21 of the Companies Act 1982 that

Pamela Ann Young, , has changed address to Cronk Veg, Glen Road, Colby, Isle of Man, on 28/08/98



040998

Signed ....Pam. Young..... Director/Secretary Date .....

Prepared by : Triskelion Trust Company Limited
on **CoSecPac** by Datacentre Limited, 4 Athol Street, Douglas, Isle of Man

THE ISLE OF MAN COMPANIES ACTS 1931 - 1993

A PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

JACKSTONES LIMITED

Index

Clause	Heading	Page(s)
1	Name	1
2	Private Company	1
3	Limited Liability	1
4	Restrictions	1
5	Share Capital	1

THE ISLE OF MAN COMPANIES ACTS 1931 - 1993

A PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION
OF
JACKSTONES LIMITED

1. **Name**

   The name of the Company is Jackstones Limited.

2. **Private Company**

   The Company is a Private Company.

3. **Limited Liability**

   The liability of the members is limited

4. **Restrictions**

   Restrictions, if any, on the exercise of the rights, powers and privileges of the Company:-

   None

5. **Share Capital**

   The share capital of the Company is GBP 2,000.00 divided into 2,000 shares of GBP 1.00 each.

We, the subscriber to this Memorandum of Association -

a) wish that a Company be formed pursuant to this memorandum,

b) agree to take the number of shares shown opposite our name;

c) declare that all the requirements of the Companies Acts 1931 to 1993 in respect of matters relating to registration and of matters precedent and incidental thereto have been complied with

Name and Address of Subscriber:	Signature of Subscriber:	Number of Shares Taken:
1: Gordon John Mundy for and on behalf of Trident Nominees (I O.M.) Limited 12-14 Finch Road Douglas Isle of Man IM1 2SA		1

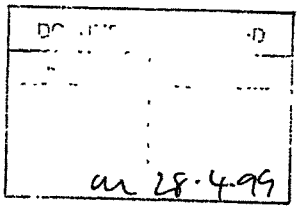
Limited Company

Dated this 26th day of April 1999

Witness to the above Signature:

Sharon Duke
Kerroo-Ain
1 Baymount Road
Port Erin
Isle of Man
IM9 6JH

Manager - Statutory Compliance Department



PAGE 1 Company number **095581C**

THE COMPANIES ACT 1931 TO 1993

FORM OF ANNUAL RETURN OF A COMPANY HAVING A SHARE CAPITAL
(other than a company limited by a guarantee)

Annual return of **Jackstones Limited**

Made up to the **28th April 2000** (being the Company's Return date)

The address of the Registered office of the company is as follows
12-14 Finch Road
Douglas
Isle of Man

Principal trade or business carried out by the company since the last annual return (or incorporation if this is the first annual return)
Holding Company

Total amount of the indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies	NIL
1 Is there a non-resident company declaration or a certificate under section 9(2) of the Non-Resident Company Duty Act 1986 in force in respect of the Company?	NO
If the answer to the last question is YES	
(a) has the central management and the control of the company been in the Isle of Man at any time since the last annual return (or incorporation if this is first annual return)	
(b) has the company derived any income from any property, trade, business or other source in the Isle of Man since the last annual return (or incorporation if this is first annual return)	
2 Has the company been a stakeholder as defined in section 20 of the Timeshare Act 1996 at any time since the last annual return date, or, if no annual return has been previously delivered at any time since incorporation ?	NO
3 If the answer to the last question is YES and the company is a company limited by shares	
(a) has the company issued shares fully paid up in cash of the minimum nominal value required by section 109(3B)(a) of the Companies Act 1931 ?	N/A
(b) does the company hold indemnity insurance for such sum and in respect of such liabilities as are specified in section 109(3B)(b) of the Companies Act 1931 ?	N/A

Presented by Trident Trust Company (I O M) Limited
Our Ref JKM/JACKLI

NOTE · This Return must be signed at the end by a Director or by the Manager or Secretary of the Company

DOCUMENT PROCESSED

INITIAL	DATE
	25/5/00

PAGE 2 SHARE CAPITAL DETAILS

Nominal Share Capital GBP 2,000.00
Divided into 2,000 Ordinary shares of GBP 1.00 each

1	Number of Ordinary shares taken up to the date of this return	1
2	Number of Ordinary shares issued subject to payment wholly in cash	1
3	Number of shares of each class issued as fully paid up for a consideration other than cash	Nil
4	Number of shares of each class issued as partly paid up for a consideration other than cash and extent to which each such share is so paid up	N/A
5	Number of shares (if any) of each class issued at a discount	N/A
6	Amount of discount on the issue of shares which has not been written off at the date of this return	N/A
7	Amount per share called up on number of Ordinary shares	GBP 1 00
8	Total amount of calls received including payments on application and allotment Ordinary shares	GBP 1 00
9	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid up for a consideration otherwise than cash	N/A
10	Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid up for a consideration otherwise than cash	N/A
11	Total amount of calls unpaid	Nil
12	Total amount of sums (if any) paid by way of commission in respect of any shares or debentures	N/A
13	Total amount of sums (if any) allowed by way of discount in respect of any debentures since the date of the last return	N/A
14	Total number of shares of each class forfeited	Nil
15	Total amount paid (if any) on shares forfeited	N/A
16	Total amount of shares for which share warrants to bearer are outstanding	N/A
17	Total amount of share warrants to bearer issued and surrendered respectively since the date of the last return ISSUED / SURRENDERED	N/A N/A
18	Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind CLASS / NUMBER	N/A N/A

Certificate to be given by a Private Company

I certify that the Company has not since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures of the company

(signature) _____ ~~(State whether~~ Director ~~or Secretary)~~

PAGE 3

LIST OF MEMBERS

Trident Nominees (I O M) Limited
12-14 Finch Road
Douglas
Isle of Man
IM1 2SA

has ceased to be a member
1 00 Ordinary shares transferred on 23/ 9/99

Sanne Corporate Nominees Limited
12 14 Finch Road
Douglas
Isle of Man
IM1 2SA

1 00 Ordinary shares currently held

PAGE 4
Particulars of the directors of the company, at the date of the annual return

NAME, NATIONALITY & OCCUPATION	ADDRESS
Gordon John Mundy Ireland Chartered Accountant	48 Selbourne Drive Douglas Isle of Man
Richard Scott British Economist	The Old Farmhouse Queens Road Port St Mary Isle of Man

Particulars of the Secretary of the company at the date of this return

NAME	ADDRESS
Gordon John Mundy	48 Selbourne Drive Douglas Isle of Man

We certify this return which comprises pages 1 2 3 and 4

Signed ~~(State whether Director or Manager or Secretary)~~

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Brian Hanson

From: Chuck Wilk
Sent: Wednesday, August 22, 2001 9:24 AM
To: Brian Hanson
Subject: FW: Ownership

keep this for our records but do NOT forward to HSBC. They approved the deal this morning without this information.

Chuck

-----Original Message-----

From: Staddon John [mailto:John.Staddon@[redacted]
Sent: Wednesday, August 22, 2001 9:16 AM
To: 'Chuck Wilk'
Subject: RE: Ownership

Barnville is owned jointly by Claycroft Limited and Dalecroft Limited, both Isle of Man companies. Jackstones is wholly owned by Sanne Corporate Nominees Limited. Each of these corporate owners are nominee companies controlled and adminsistered by two separate trustee and corporate administration operations in the IoM. I am not at all keen on revealing the ultimate beneficial owner. If there is persistence on it by HSBC, then I guess we can certify that the person in question is an existing client of Euram Bank and that we can testify for his reputation and good standing accordingly.

Still on for next week? By the way, Monday is a bank holiday here and in the IoM.

Best regards,
John

-----Original Message-----

From: Chuck Wilk [mailto:[redacted]
Sent: Tuesday, August 21, 2001 6:33 PM
To: 'John.Staddon@[redacted]
Subject: RE: Ownership

Let's give them corporate shareholders first and see if they ask for more.

6

HSBC

[To be completed by Bank for each individual principal, fiduciary, etc.]*

INDIVIDUAL INFORMATION - KNOW YOUR CLIENT

Relationship Title: _____

Name of Individual: Barnville Home Telephone No.: _____

Residence Address: _____

Principal Beneficial Owner 3rd Party Trustee Custodian Any-in-Fact Trust Senior 1st Trust Beneficiary

For non-U.S. persons: Confirmed with client that he/she is not politically connected.

Photo Identification: U.S. Driver's License Passport Other (describe): _____

(Place legible verified copy in file)

Client Background

Net Worth: Under $1Million $1-5 Million $5-10 Million $10-50 Million >$50 Million

Source of Wealth: from his/her business/occupation other

(Describe and explain relevant information, such as relationship, employment history/type of business, inheritances, sales of assets, etc.)

Barnville is a wholly owned subsidiary of European American Investment Bank, an Austrian Investment Bank. Barnville is used to facilitate the sale of investment assets.

Sources of Cash Flow:

(Describe and explain relevant sources, such as business operations, employment, real estate, investments, etc.)

Fees from sales transactions.

_____ 12/28/03

Relationship Manager signature Date

_____ 12-26-03

Preparer signature (if different) Date

*If non-individuals (i.e. Corporations, LLCs, Partnerships, or Trusts), serve as owners/general partners, you will need the KYC information and documentation governing those entities in order to trace back the organization structure to the individual owners. This form not required for publicly owned corporations

(Rev 10/03)

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Subcommittee Members & Staff Only

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 240

HUI 0002297

7

KNOW YOUR CUSTOMER INFORMATION

Business Account

Account Title: Boonville Limited

Account Number:

Relationship Title: European Overseas Investment Corporation

Sources of Funds:

Type of Business: Trust & Investment How Long in Business:

Purpose of Account: Investment a/c

Related Accounts, if any:

Other Banking Relationships (Past & Present): Yes

Account Information

Referred By: Dwello Group

☐ Existing Customer ☐ HSBC Office or Affiliate ☒ Well Known 3rd Party

☐ Other (Please explain)

Years Known: 5 Relationship: client.

Expected Activity of this Relationship:

Cash Transactions per year (Approx.): 0

Wire Transfer per year (Approx.): 4

# of Checks/month (Approx.): 0

# of Deposits/month (Approx.): 5.

Average Balance/Month (DDA): $ low 7figure

Plus/MMA: $

TD: $

Investments: $

Type of Investments: Marketable Securities

Visitation Date: 9/4/01

Additional Information: Boonville is a wholly owned subsidiary of Eurobank. Purpose is to facilitate sale of assets for investment.

APS 0001-BA2 (10/99)

HSBC

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HUI 0002298

8

Additional information on Principle(s) or Beneficial Owner(s) of Account

Euro Bank's subsidiary
Name of Principle/Beneficial Owner

Source of Wealth | *Profession*

Name of Company | *Position*

Address

Phone | *Nature of Business*

Antecedent Creation.
Name of Principle/Beneficial Owner

Source of Wealth | *Profession*

Name of Company | *Position*

Address

Phone | *Nature of Business*

Name of Principle/Beneficial Owner

Source of Wealth | *Profession*

Name of Company | *Position*

Address

Phone | *Nature of Business*

Recommendation New Clients

This corporation is well known to me and is hereby recommended as a potential client of the Bank.

✓ *Officer Signature* | *Date*

This corporation is not well known to me. However, based on the above referral, I hereby recommend the account as a potential client to the Bank.

✓ *Officer Signature* | 10/15/01 *Date*

Existing Clients

This corporation has had an existing relationship with the Bank since _____ related account number _____. Based on the account performance to date, I recommend that we open an account.

✓ *Officer Signature* | *Date*

Preparer | *Date*

✓ *Signature* | *Date*

HSBC

Account Application - Business Accounts

Account #: 134 713 613 / 134 714 237 (For Bank Use Only)

Application For:
☐ Business Checking ☐ Certificate of Deposit ☐ Insured Money Director Account
☐ Savings ☐ Not for Profit NOW ☐ Not for Profit Savings ☐ Other _____

Account Title: Barnville Limited

Entity Type:
☐ Corporation ☑ Limited Liability Company ☐ Partnership
☐ Trust ☐ Not-For-Profit Corporation ☐ Unincorporated Association
☐ Estate ☐ Sole Proprietorship ☐ Other _____

Client Information:
Barnville Limited (Name) _____ (Tax I.D. Number)

Legal address:
19 Mount Havelock (Street)
Douglas, Isle of Man IM 12QG (City / State / Zip)

Mailing address (if different from legal address above): AS ABOVE
(Street)
(City)

Telephone: 01624 - 623891 Fax: 01624 - 677313 E-mail: _____

Business Annual Revenues: $ 100,000 No. of Employees: 0 Years in Business: 3

Principal Business Owner(s): CLAYCROFT LTD. 50 % (Name) _____ %
DALECROFT LTD. 50% (Name) _____ %

Type of Business (explain products/services, history, include major customers/suppliers for retailers/wholesalers):
INVESTMENT COMPANY (MAINLY IN TELEMMUNICATION STOCK)

(continue on back)

Owners and Authorized Signers:

List each Principal Owner and Authorized Signer and provide legible copy of Photo IDs (U.S. Driver's License (DL) or Passport (PP))

	Name	Title/Position	SSN	Date of Birth	Photo ID
1	PAUL MOORE	DIRECTOR			☐ DL or ☐ PP
2	ANN NICHOLSON	DIRECTOR			☐ DL or ☐ PP
3	PAMELA YOUNG	DIRECTOR			☐ DL or ☐ PP
4					☐ DL or ☐ PP
5					☐ DL or ☐ PP
6					☐ DL or ☐ PP
7					☐ DL or ☐ PP
8					☐ DL or ☐ PP
9					☐ DL or ☐ PP

Account Information

Purpose of Account: CASH ACCOUNT FOR LARGE SCALE STOCK PURCHASES AND SALES

Source of Initial Deposit:

Type: _____ From: _____ Amount: $ _____
(wire, personal check, etc.) (drawee, transmitting bank, other identifying details)

Description: _____
(from operations, loan drawdown, recent sale of securities, real estate, etc.)

Expected Monthly Account Activity:

Average Balance: $ ZERO * (SEE BELOW)

	DEPOSITS		WITHDRAWALS	
	#	Dollar Amount	#	Dollar Amount
Cash		$		$
Checks		$		$
Wires		$		$

Describe any unusual expected account activity (e.g. large volumes, foreign transfers, etc.):
BARNVILLE IS AN SPV SET UP TO ENGAGE IN TRADING/INVESTMENT IN TECHNOLOGY STOCK. THE RHBG AC IS USED WHEN STOCK IS SOLD TO 3RD PARTIES. THE AMOUNTS THAT FLOW THROUGH THE ACCOUNT ARE LARGE* BUT THEN QUICKLY GO TO ZERO - AS THE PROCEEDS ARE USED TO BUY STOCK FROM THE MARKET/OTHER PARTIES. * SOME IN EXCESS OF US$100,000,000. APPROX 3 TRANSACTIONS THAT PER A YEAR.

I certify that the information provided on this application is true and correct to the best of my knowledge.

By: PM _____ _____
Signature Date

PAUL MOORE, DIRECTOR
Print Name and Title

Power of Attorney

BY THIS POWER Barnville Limited (the "Company") HEREBY APPOINTS John Staddon and Rajan Puri, both employees of European American Investment Corporate Services Limited of 1 Great Cumberland Place, London W1H 7AL ("the Attorney"), as attorney-in-fact of the Company to be the Company's attorney and to do in Company's name and on the Company's behalf all and any of the acts and things, with full power to sign and deliver on behalf of the Company any documents or agreement including, without limitation, novation agreements, transaction confirmations and any documents relating thereto.

AND THE COMPANY HEREBY DECLARES that (i) any person or persons or company or companies dealing with the Attorney shall not be concerned to see or enquire as to the propriety or expediency of any act or thing which the Attorney may do or perform in the Company's name by virtue of these presents and that (ii) it may adopt and ratify all such acts and things.

This power shall terminate without further action on 31 December 2000.

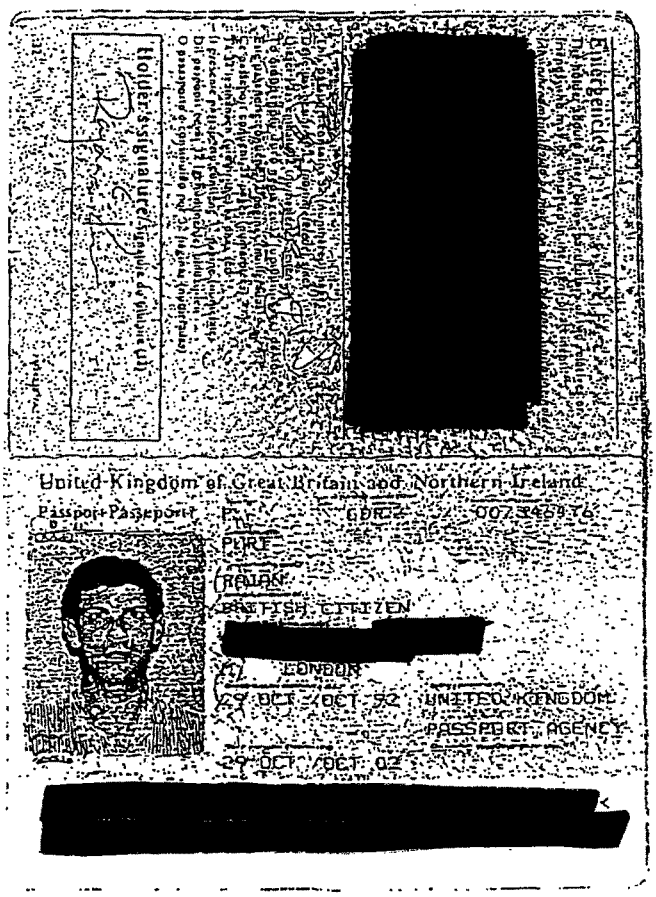
In WITNESS WHEREOF this Power of Attorney has been executed by Barnville Limited this [11th] day of October, 2000.

Signed by for and on behalf of
Barnville Limited

Paul Moore [Director]

Ann Nicholson [Director]

[redacted] = Redacted by the Permanent Subcommittee on Investigations



POOR ORIGINAL

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HUI 0002302

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 242

scd/ajd/ajd-10/1534-03M

POWER OF ATTORNEY

We, Jackstones Limited, a Company incorporated under the laws of the Isle of Man and having our Registered Office at 12-14 Finch Road, Douglas, Isle of Man, duly represented herein by Gordon John Mundy and Richard Scott, in accordance with the Resolutions of the Directors of the Company at a Meeting of the Board of Directors held on 13th day of October 2000, do hereby grant a Power of Attorney in favour of

John Staddon

of C/o European American Corporate Services Ltd, 1 Comberland Place, London, W1H 7AL

according to the following powers:-

To enable the Attorney to open and manage a bank account with Bank of America on behalf of Jackstones Limited.

It is expressly declared and noted that the Attorney may not, without the express approval of the Board of Directors, guarantee overdrafts or undertake loans or cause any indebtedness to the Company through any of the above actions or through operating any bank accounts in the Company name.

That the Power of Attorney herein granted may be used and exercised by John Staddon in the United States of America and United Kingdom and it shall remain in full force for a period of one year or until the Board of Directors may decide otherwise.

Issued and signed in Douglas, Isle of Man this 13th day of October 2000

GJ Mundy
Director

RJ Scott
Director

scs/ajd/ejd-10/1534-03M

POWER OF ATTORNEY

We, Jackstones Limited, a Company incorporated under the laws of the Isle of Man and having our Registered Office at 12-14 Finch Road, Douglas, Isle of Man, duly represented herein by Gordon John Mundy and Richard Scott, in accordance with the Resolutions of the Directors of the Company at a Meeting of the Board of Directors held on 13th day of October 2000, do hereby grant a Power of Attorney in favour of

Rajan Puri

of C/o European American Corporate Services Ltd, 1 Cumberland Place, London, W1I 7AI.

according to the following powers:-

To enable the Attorney to open and manage a bank account with Bank of America on behalf of Jackstones Limited.

It is expressly declared and noted that the Attorney may not, without the express approval of the Board of Directors, guarantee overdrafts or undertake loans or cause any indebtedness to the Company through any of the above actions or through operating any bank accounts in the Company name.

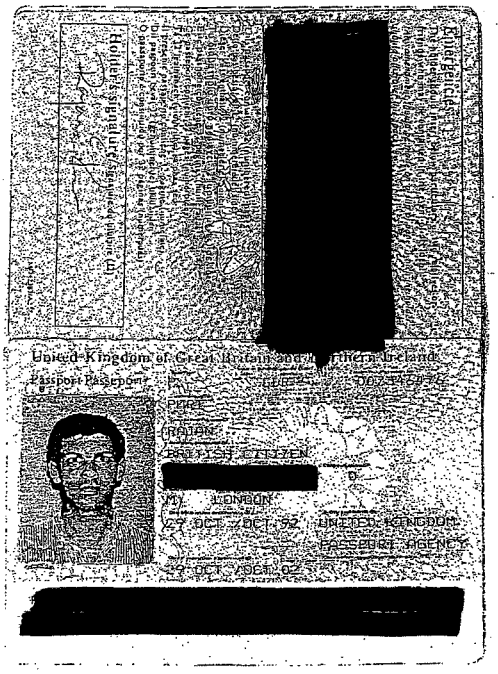
That the Power of Attorney herein granted may be used and exercised by Rajan Puri in the United States of America and United Kingdom and it shall remain in full force for a period of one year or until the Board of Directors may decide otherwise.

Issued and signed in Douglas, Isle of Man this 13th day of October 2000

G J Mundy
Director

R Scott
Director

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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Roach, Bob (HSGAC)

From: Bermingham, Lindsey [Lindsey.Bermingham@ Redacted by the Permanent Subcommittee on Investigations
Sent: Thursday, July 27, 2006 7:20 AM
To: Roach, Bob (HSGAC)
Subject: RE: Change of address

Bob,

A charge over book debts is registerable, as you correctly state. However, I am not sure there has been such a charge in the scenario you refer to. The sale of securities does not create a charge; neither does the loan back. The "cash collateral to secure the return of the shares" might operate to create a charge. Ultimately, however, it would be necessary to look at the security documents to determine whether or not a charge was created.

I hope the above helps. If there was a charge and it was not registered then it would be void!

Thank you for advising me of the hearing date and for offering to forward the material as it is released.

Lindsey

From: Roach, Bob (HSGAC) [mailto:Bob_Roach@ Redacted by the Permanent Subcommittee on Investigations
Sent: 26 July 2006 21:43
To: Bermingham, Lindsey
Subject: RE: Change of address

Hi Lindsey – Thanks so much fro your responses. With respect to #2, I'm not sure I was clear enough in my description, since your answers anticipate that there is third party involved. Let me try to re-phrase it:

Isle of Man Company A sells securities to Isle of man Company B for $9.6 billion cash. Company B immediately loans those shares back to Company A, in echange for $9.6 billion cash collateral to secure return of the shares. Since the cash amounts that each party owes to the other are equal, the companies set off the mutual cash obligations so that no money changes hands. At the end of the day, according to the book entries, Company A owes Company B $9.6 Billion worth of Stock shares and company B owes company A $9.6 billion cash collateral.

The question is; does either party have a reportable debt. If so, when and how must this be reported? Section 79 (e) seems to say they should (a charge on book debts of the company).

Thanks, Lindsey.

By the way, our hearing date has now been announced – Tuesday August 1. I'll forward you material as it gets released.

Regards.

Bob.

From: Bermingham, Lindsey [mailto:Lindsey.Bermingham@ Redacted by the Permanent Subcommittee on Investigations
Sent: Wednesday, July 26, 2006 8:54 AM
To: Roach, Bob (HSGAC)
Subject: RE: Change of address

Dear Bob,

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 244

I refer to your email of 24 July and answer your queries below –

1. Section 79 of the Companies Act 1931 sets out what is a registerable charge. A copy of the section is attached.

2. My understanding of this is that there is an Isle of Man lender (creditor – no indebtedness), an Isle of Man borrower (debtor – but is not in itself creating a registerable charge so there is no obligation to state anything in the annual return) and a third party (I am not told where this is from) which seems to have made some sort of security deposit (which may or may not be registerable by that third party in its jurisdiction of incorporation). The answer to your question is therefore "no".

3. The only indebtedness which needs to be reported is indebtedness secured by a registerable charge created by the company. For example, Manx co borrows £1 million and grants a debenture over its assets by way of security. This would need to be disclosed on the annual return. I suppose if there was some sort of mutuality of dealings (e.g. Manx co lends the money back to the "lender" who also grants a debenture) then there could be an argument that there could be some sort of netting for the purposes of the annual return. This is very, very unlikely, however.

I hope the above answers your queries.

Regards

Lindsey

From: Roach, Bob (HSGAC) [mailto:Bob_Roach@
Sent: 24 July 2006 15:56
To: Bermingham, Lindsey
Subject: RE: Change of address

Redacted by the Permanent Subcommittee on Investigations

Hi Lindsey – Thanks for all of the information you have been providing to us. It has been extremely helpful. Having reviewed the publicly available corporate information you sent to us, I have some questions and I was wondering if you or any of your colleagues can answer them.

The Annual Return of a Company having a Share Capital contains a declaration of the "Total amount of indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar of Companies."

- What are the limitations on the kind of indebtedness that are required to be reported?
- We have an example of an Isle of Man Company that purports to have received cash collateral of $9.6 billion to secure a loan of securities to another Isle of Man Company, but neither Company reports any liabilities on the annual returns you provided us. Would the obligation to return the borrowed shares and/or the obligation to return the cash collateral be reportable indebtedness?
- Are reporting Companies permitted to net out reportable indebtedness against assets that represent debts receivable from the reporting Companies' creditors, or are they required to report gross indebtedness?

Please let me know if you require further information on these matters.

I hope you move goes well and that you are excited about your new accommodations.

Regards.

Bob.

<HELP> for explanation. DG8 Equity **HELP**
Enter # <Go> for selection.

BLOOMBERG PROFILE

ROBERT WOOD JOHNSON IV "WOODY"

JOHNSON CO	CHAIRMAN/CEO
JUVENILE DIABETES FOUNDATION I	EXECUTIVE CHAIRMAN
NEW YORK JETS	OWNER

1) NEWS
2) FOTO - Bloomberg images
3) PROFESSIONAL
   Career History
4) COMPANY AFFILIATIONS
5) MEMBERSHIPS
   Board Memberships
   Other Memberships
6) REQUEST PROFILE CHANGE

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Princeton:609-279-3000 Singapore:226-3000 Sydney:2-9777-8686 Tokyo:3-3201-8900 Sao Paulo:11-3048-4500
1661-554-0 30-May-00 15:20:40

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 245

<HELP> for explanation. DGB Equity HELP

PROFESSIONAL Page 1/ 1

ROBERT WOOD JOHNSON IV "WOODY"

CAREER HISTORY

1/2000-PRESENT NEW YORK JETS OWNER

Mr. Johnson serves as Chairman of JDF International.

Bloomberg PROFESSIONAL

<HELP> for explanation. DGB Equity HELP

COMPANY AFFILIATIONS

Page 1/ 1

ROBERT WOOD JOHNSON IV "WOODY"

OWNER PHONE:516-560-8100
NEW YORK JETS
1000 Fulton Ave
Hempstead NY 11550

EXECUTIVE CHAIRMAN PHONE:212-785-9500
JUVENILE DIABETES FOUNDATION I
120 Wall Street
New York NY 10005-4001

CHAIRMAN/CEO
JOHNSON CO
New York NY

Bloomberg PROFESSIONAL

<HELP> for explanation. DG8 Equity HELP
Enter # <GO> to select category.

MEMBERSHIPS

Page 1/ 1

ROBERT WOOD JOHNSON IV "WOODY"

BOARD MEMBERSHIPS

PRESENT JUVENILE DIABETES FNDN INTL CHAIRMAN

OTHER MEMBERSHIPS

CHAIRMAN, Alliance for Lupus Research Inc
MEMBER:ADVISORY BOARD, Center for Strategic & International Studies
MEMBER, Council on Foreign Relations
TRUSTEE, RWJ University Hospital Foundation
TRUSTEE, Wildlife Conservation Society

1) Board Memberships 2) Other Memberships

Bloomberg PROFESSIONAL

<HELP> for explanation.

Johnson Co., a personal investment firm in New York. He's a trustee of the Robert Wood Johnson University Hospital Foundation in New Jersey and the Wildlife Conservation Society. He also chairs the New York-based Alliance for Lupus Research and Juvenile Diabetes Foundation International. The oldest of his three daughters, Casey, now 20, was diagnosed with diabetes when she was eight years old. Johnson and his wife later wrote a book titled ''Managing Your Child's Diabetes.'' Johnson has raised money for the Republican Party and served a three-year term on the President's Export Council during the Bush administration.

Known for: Being a New York sports fan. Has New York Knicks season tickets.

What others say about him: ''Woody Johnson is one of the most talented, dedicated and committed people I have ever worked with.'' -- Ross Cooley, Juvenile Diabetes Foundation International board member and chairman of the group's fundraising committee.

''As a volunteer for the JDF, I've seen how Woody Johnson has moved mountains at the foundation in pursuing a cure for diabetes. I can't wait to see what he'll do for the Jets.'' --

<HELP> for explanation.

Larry King, host of Cable News Network's ''Larry King Live.''

''He's a great New York sports fan.'' -- Philadelphia Eagles owner Jeffrey Lurie.

--Bob Bensch at the Princeton Sports Desk (609) 279-4063/mjs

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Top North American sports stories: USPORT
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Given to Woodley by CBS

Quadra Custom Strategies, LLC.
Gain Deferral Trade
[redacted]

The gain deferral trade is designed to allow an investor to liquidate low basis stock on a tax deferred basis. The investor will recognize income as the result of the liquidation only when the partnership makes "cash" distributions that exceed the partner's outside tax basis in the partnership interest. The following is an outline of the transaction and the relevant code sections of the Internal Revenue Code ("IRC").

Step 1

- Quadra and Third Party(i.e. an offshore Hedge Fund), unrelated to the investor, form Limited Partnership (LP) , a Delaware Limited Partnership.
- Third party contributes Asset with a basis of $500 and a current fair market value of $100 to LP. IRC Section 721 provides that Third Party recognizes no gain/loss on the contribution of Asset to LP. Preferably Asset will be a marketable security.
- Quadra receives a .1% General Partnership interest in LP. Third Party receives a 99.9% Limited Partnership interest in LP. Under IRC Section 722 Third Party's outside tax basis in its interest in LP is $500.

Step 2

- Third Party sells its LP interest to investor for $100 (the fair market value of the underlying assets) plus Third Party agrees to sell LP a two month OTC at-the-money put on Asset for $xx premium.
- Investor now owns a 99.9% limited partnership interest in LP with an outside tax basis of $100 (IRC Section 1012).
- A purchase of 50% or more of the limited partnership interests in LP within a 12 month period results in a technical partnership termination.(IRC Section 708(b)(1)(B)).
- Third Party has a loss on the sale of the limited partnership interest equal to $400.
- LP has a $500 basis in Asset contributed by Third Party (IRC Section 723).
- For purposes of loss recognition under IRC Section 704(c) investor, as transferee, steps into the position of Third Party (Treasury Reg. 1.704-4(d)(2)).
- Simultaneous to purchasing the limited partnership interest in LP, investor contributes assets with a basis of $100 and a current fair market value of $500 (Aggregation of LP interests under Rev. Rul. 84-53 and Treasury Reg. 1.704-

1(b)(2)(iv)(b)) and pledges LP interest to Bank as collateral for loan of $100 + $xx option premium. The additional securities provide increased balance sheet strength to support collateral for the loan and for additional security transactions inside LP.

- Investor now has an outside tax basis in the limited partnership interest in LP equal to $200 + $xx ($100 paid for Third Party's LP interest plus $100 basis in additional assets contributed plus put option premium).
- Quadra's general partnership interest in LP is diluted.
- LP owns assets with a total fair market value of $600(excluding option) and a total basis of $600(excluding option).
- LP sells two month OTC call option on Asset at 120% of FMV.
- LP may enter additional security and derivative trades.

Step 3 (will occur at or subsequent to option expiration)

- LP sells all of the partnership assets, in the same taxable year, to unrelated third party (ies). The total proceeds of the sale(s) equal $600(excluding option).
- LP has a capital gain of $400(excluding option) (IRC Section 705 and Treasury Reg. 1.705-1 provide ordering rules for adjustments to outside tax basis that make adjustment for gain before adjustment for loss).
- LP has a capital loss of $400(excluding option).
- Gain and loss offset. Consequently, investor's tax liability from the partnership asset sale is zero. Each sale transaction will be reported separately by LP (IRC Section 702)
- LP invests sales proceeds in a diversified portfolio of assets.
- Subsequent income on partnership assets will flow through to investor.
- To the extent partnership distributions (cash or marketable securities) exceed investor's outside tax basis ($200(excluding option) plus/minus any future income/loss), investor will recognize gain on distributions from LP.

[redacted]

From: Larry Scheinfeld
Sent: Thursday, October 28, 1999 9:46 AM
To: Jeff Greenstein; Chuck Wilk
Subject: POINT

Woody called to make sure everything is moving forward, I told him it was. We really need to be seriously working on seasoning the assets, he wants to sell the stock this year if possible.

From: Chuck Wilk
Sent: Wednesday, December 22, 1999 10:27 AM
To: Larry Scheinfeld
Subject: RE: POINT

I put a call into Ira Axselrad (Proskauer) last night to discuss the funding of the S corp, basis issues and conversion of S corp to LLC/partnership. Have not yet heard back from him.

[redacted]

-----Original Message-----
From: Larry Scheinfeld
Sent: Wednesday, December 22, 1999 8:24 AM
To: Chuck Wilk; Jeff Greenstein
Subject: POINT

Woody called today to make sure we are working on his case. I assured him we were.

From: Jeff Greenstein
Sent: Monday, December 20, 1999 11:48 AM
To: Chuck Wilk
Subject: RE: JETS

technoolgy aint bad either! although I can barely type as I spent my FIRST hours ever on the ski slopes today

-----Original Message-----
From: Chuck Wilk
Sent: Monday, December 20, 1999 9:38 AM
To: Jeff Greenstein
Subject: RE: JETS

[redacted] = Redacted by the Permanent Subcommittee on Investigations

$300MM ; 150 for [redacted] and 150 for Woody. Ain't capitalism great!

-----Original Message-----
From: Jeff Greenstein
Sent: Monday, December 20, 1999 9:36 AM
To: Larry Scheinfeld; Chuck Wilk
Subject: RE: JETS

i will be spending time w/ Bob & chris to work on seasoning the stock portfolio. i feel comfortable with the idea we talked about using the forward or short against the box until the losses are generated. Are we firm on 100 or 200?

-----Original Message-----
From: Larry Scheinfeld
Sent: Monday, December 20, 1999 6:33 AM
To: Chuck Wilk
Cc: Jeff Greenstein
Subject: JETS
Importance: High

Joel called, he has given us the full speed ahead (whatever that means) please call him to discuss timing, cash needed by the Johnson's to buy partnership interest, who are the existing partners to the deal, and also will Quadra be a partner forever or just until the deal is done, in other words could Johnson be the Limited and General by using an entity to be the general partner.

From: Larry Scheinfeld
Sent: Tuesday, January 11, 2000 5:04 PM
To: Chuck Wilk
Subject: [redacted]

I hope your meetings went well. I also hope we are already moving full speed ahead, Thursday is basically an update of where we are. Now I just hope Woody doesn't get cold feet or have the IRS select his return for audit!

—Original Message—
From: Chuck Wilk
Sent: Tuesday, January 11, 2000 5:59 PM
To: Larry Scheinfeld
[redacted]

Well I guess congradulations are in order but boy do we have our work cut out for us now on POINT. I had a meeting in London with EURAM on POINT. Hopefully starting tomorrow we are moving full speed ahead. I will give you an update on Thursday morning. Spoke with Joel on Monday from Zurich (minor issues).

[redacted]

From: John Baier
Sent: Monday, April 17, 2000 8:10 PM
To: Norm Bontje; Chuck Wilk; Larry Scheinfeld
Subject: Woody docs

Attached are the tax and investment advisory agreements for Johnson's Point trade. The fee amounts shown are are calculated to equal a PV of $1.7mm for QCS and 1mm for Associates in amounts paid quarterly at the current 10-year Libor rate of 7.23% (then rounded). The total PV fee of 2.7mm is 2% of the 135mm notional amount of the trade.

Please forward your comments when you've had an opportunity to review.

John


Associates ngagement Letter.d.


Johnson Advisory Agreement.doc...

From: Brian Hanson
Sent: October 25,2001 16:49
To: Andrew J Robbins
Subject: Cobalt, etc...

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Andy,

I want to walk you through the profitability model that I've built for Cobalt. It will help us get a good feel for what to talk to John Barrie about. Hopefully we can get him on the line this afternoon so we can get him comfortable with everything before speaking with Rick Bronstein.

It's in j:/custom strategies/clients/[redacted]cobalt/prelim analyses/cobalt profitability dynamic 10-22-01

I also think I have a better answer to the journal entry dilemma. Let's try this:

Total ppd fees and interest & collar ctrb. =	$5,850,000
Total call spread paid by BV =	($4,400,000)
Euram fee =	($1,450,000)
Net	$ 0

Here's how to break down Woodglens' $5,850,000:

Investment in Reka Ltd for purchase of collar:	$2,380,282
Cash payment to BV for ppd fees and interest:	$3,469,718

Addntl 2% Q fee paid in form of advisory agmt w/RWJ for $2.9.

I'll start to do the same thing for the Sidehills.

Call me when you get out of your meeting x6732.

Brian

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 254

PSI-QUEL 25004

From: Larry Scheinfeld
Sent: November 10,2000 20:45
To: Jeff Greenstein; Andrew J Robbins
Cc: Chuck Wilk
Subject: Re: POINT PRICING

Importance: High

Somrthing under 6 would be better. At least try and get something back from b of a.

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

-----Original Message-----
From: Jeff Greenstein <jgreenstein@quellos.com>
To: Larry Scheinfeld <larry@quellos.com>; Andrew J Robbins <arobbins@quellos.com>
CC: Chuck Wilk <cwilk@quellos.com>
Sent: Fri Nov 10 20:40:19 2000
Subject: POINT PRICING-SCHEIN

Will probably come in around 6.00 - 6.25%- the lower figure we talked about earlier today assumed there was a leverage component which is no longer included. We should still be in good shape relative to the client expectations. Also the value of the basket fell significantly which means we need a higher collar strike to generate enough losses on the FMV portfolio given the increased fees (they are based on the loss amount). The FMV of the portfolio has fallen from 104 - 90 million relative to the loss size. Also, important to mention is that they stand a reasonable chance getting a rebate if the combined position is liquidated within the first two months. (In all likelihood it will)

QUADRA Custom Strategies, LLC
601 Union Street, 56th Floor I Seattle, WA 98101 I (206) 613-6700 I Fax (206) 613-6710

FAX COVER SHEET CONFIDENTIAL

DATE:	February 11, 2000	**TIME:**	12:41 PM
TO:	Mr. Joel Latman Johnson Company, Inc.	**PHONE:** **FAX:**	(212) 332-7500 (212) 332-7510
FROM:	Jeff Greenstein	**PAGES:**	1

Joel,

Since our meeting Wednesday, I have spent some time reviewing possible scenarios as they relate to the total up-front cash required to effectuate the contemplated transaction. It should be noted that these numbers will vary as a function of short term interest rates, the price of the stocks in the basket, and the option volatility levels in the marketplace.

We approximate the upfront cash requirements to be 6-7% of the anticipated losses ($300,000,000) plus the NPV of 1% paid over multiple years. This cash requirement is a worst case scenario. If the basket of stocks modestly appreciates (between 1 - 5% from the purchase price) then all or a portion of the cash requirement will be available on expiration of the six month collar. If the stocks appreciate 5% or more then the maximum cash return will generate a net profit (after fees/costs) of 3% on the entire $300,000,000. Depending on market movements during the six month collar we may have the flexibility to liquidate the position early and recoup a good portion of the initial cash.

I hope this is helpful. I will be in Europe next week so please do not hesitate to give Chuck a call if you have any questions.

cc. Chuck Wilk
Larry Scheinfeld

From: Brian Hanson
Sent: November 19,2001 17:29
To: Andrew J Robbins; Chuck Wilk
Cc: Christopher Hirata
Subject: Cobalt

Leslie just phoned me to talk about profitability. Amongst a few other items, he wanted to let me know that they want out as soon as they're in the black (net of fees). He was a little ahead of himself as although the basket is doing well, we are still quite a ways away from getting into the black. As an exercise, I asked him to go over the profitability matrix with me again. I reminded him that although the matrix should not be relied upon for investment decisions it is a good indicator of where he can expect to be for the given time periods and baskets levels. I told him that as we get closer to a point where they are likely to want to get out that we would all watch the basket very closely and that we should/would consult each other before calling HSBC to sell. He agreed.

He also mentioned wanting to take us all out to dinner (plus Scheinfeld) but that he can't do that unless this trade makes money – time will tell.

From: Larry Scheinfeld
Sent: Tuesday, April 11, 2000 8:17 AM
To: Bart Anderson; John Baier
Cc: Norm Bontje
Subject: QJ Trading

Woody will be using the money in his account to do his tax trade. Accordingly, the money available should be wired to him today. The wiring instructions are Bank of New York/Custody aba 021000018 credit Robert Wood Johnson IV short term account 187133. Please let me know the amount. We should also schedule out the remaining amounts from his trading account. This should probably be paid out in stages over the remainder of the year so we do not upset the tax consequences of the original trade.

From: Chuck Wilk
Sent: Tuesday, April 04, 2000 3:10 PM
To: Christopher Hirata
Subject: FW: point

Chris,

This is the spreadsheet I got from Jeff. It needs to be refined. The first transaction is scheduled to close 4/15. I am out of the office all next week. If you need Dale's assistance in helping put the "book" together lets enlist him ASAP. Also, we need to put a "one pager" together describing the trade in both economic and tax terms (but a little fuzzy on the tax piece).

-----Original Message-----
From: Jeff Greenstein
Sent: Wednesday, March 29, 2000 10:13 AM
To: Chuck Wilk
Subject: point


POINT.xls

POINT - One Year Duration (Warrant Outstanding)

One Year Profitability Analysis: Projected P&L

Portfolio Cost Basis	$	248,844,063
Portfolio Trade Price		103,942,452
Approximate Initial Loss	$	144,901,611

	Projected P&L (Stock Down 20%)		Projected P&L (Stock Flat)		Projected P&L (Stock Up 20%)	
Stock sale proceeds	86,618,710		103,942,452		124,730,942	
Portfolio value on SPV purchase date	(103,942,452)		(103,942,452)		(103,942,452)	
Gain/(loss) on stock		(17,323,742)				20,788,490
Proceeds from sale of 100 day put	-		-		-	
Cost of long 100 day put	(15,321,117)		(15,321,117)		(15,321,117)	
Gain/(loss) on 100 day put		(15,321,117)		(15,321,117)		(15,321,117)
Cost of covering 100 day call	-		-		-	
Proceeds from short 100 day call	12,219,930		12,219,930		12,219,930	
Gain/(loss) on 100 day call		12,219,930		12,219,930		12,219,930
Warrant premium	50,547,000		50,547,000		50,547,000	
Interest on warrant premium (7% / 12 months)	3,538,290		3,538,290		3,538,290	-
Gain/(loss) on warrant		54,085,290		54,085,290		54,085,290
Total trading gain/(loss)		33,660,361		50,984,103		71,772,593
Prepaid interest (includes 1% purchase premium)		(3,469,718)		(3,469,718)		(3,469,718)
Interest on bank loan used to settle seller financing (7% / 8.6 months)		(5,254,868)		(5,254,868)		(5,254,868)
Investment gain/(loss)		24,935,775		42,259,517		63,048,007
Quadra structuring & advisory fees		(2,900,000)		(2,900,000)		(2,900,000)
Net gain/(loss)		22,035,775		39,359,517		60,148,007
Return Analysis						
Periodic Return A - based on all costs (see assumption 4)		18.6%		33.2%		50.7%
Periodic Return B - based on initial cash requirements (see assumption 5)		232.7%		415.6%		635.1%

Assumptions:
1. The portfolio value fluctuates within the collar strike range for the first 100 days (i.e. both the short-term put option and short-term call option expire out-of-the-money)
2. The above scenarios reflect the long-term movement in the equity portfolio value with fund borrowed from another source
3. The denominator used in the Return Analysis - Periodic Return A includes the purchase price of the SPV, the cost of the collar, prepaid interest, interest on the long-term bank loan, and structuring/advisory fees.
4. The denominator used in the Return Analysis - Periodic Return B includes the cost of the collar, prepaid interest, and structuring/advisory fees.
5. The warrant is still outstanding

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 267

PSI-RWJ 000268

2218

POINT - One Year Duration (Warrant Hedged)

One Year Profitability Analysis: Projected P&L

Portfolio Cost Basis	$	248,844,063
Portfolio Trade Price		103,942,452
Approximate Initial Loss	$	144,901,611

	Projected P&L (Stock Down 20%)		Projected P&L (Stock Flat)		Projected P&L (Stock Up 20%)	
Stock sale proceeds	86,618,710		103,942,452		124,730,942	
Portfolio value on SPV purchase date	(103,942,452)		(103,942,452)		(103,942,452)	
Gain/(loss) on stock		(17,323,742)				20,788,490
Proceeds from sale of 100 day put	-		-		-	
Cost of long 100 day put	(15,321,117)		(15,321,117)		(15,321,117)	
Gain/(loss) on 100 day put		(15,321,117)		(15,321,117)		(15,321,117)
Cost of covering 100 day call	-		-		-	
Proceeds from short 100 day call	12,219,930		12,219,930		12,219,930	
Gain/(loss) on 100 day call		12,219,930		12,219,930		12,219,930
Warrant premium	50,547,000		50,547,000		50,547,000	
Interest on warrant premium (7% / 12 months)	3,538,290		3,538,290		3,538,290	
Cost of warrant hedge	(29,914,638)		(43,645,436)		(58,602,754)	-
Gain/(loss) on warrant		24,170,652		10,439,854		(4,517,464)
Total trading gain/(loss)		3,745,723		7,338,667		13,169,839
Prepaid interest (includes 1% purchase premium)		(3,469,718)		(3,469,718)		(3,469,718)
Interest on bank loan used to settle seller financing (7% / 8.6 months)		(5,254,868)		(5,254,868)		(5,254,868)
Investment gain/(loss)		(4,978,863)		(1,385,919)		4,445,253
Quadra structuring & advisory fees		(2,900,000)		(2,900,000)		(2,900,000)
Net gain/(loss)		(7,878,863)		(4,285,919)		1,545,253
Return Analysis						
Periodic Return A - based on all costs (see assumption 4)		-6.6%		-3.6%		1.3%
Periodic Return B - based on initial cash requirements (see assumption 5)		-83.2%		-45.3%		16.3%

Assumptions:

1. The portfolio value fluctuates within the collar strike range for the first 100 days (i.e. both the short-term put option and short-term call option expire out-of-the-money)
2. The denominator used in the Return Analysis - Periodic Return A includes the purchase price of the SPV, the cost of the collar, prepaid interest, interest on the long-term bank loan, and structuring/advisory fees
3. The denominator used in the Return Analysis - Periodic Return B includes the cost of the collar, prepaid interest, and structuring/advisory fees.
4. The warrant is still outstanding.
5. The warrant has been hedged by purchasing a 4 year, 120 spot warrant in the market.

POINT - Five Year Duration (Warrant Outstanding)

5 Year Profitability Analysis: Projected P&L

Portfolio Cost Basis	$	248,844,063
Portfolio Trade Price		103,942,452
Approximate Initial Loss	$	144,901,611

	Projected P&L (Stock Down 50%)		Projected P&L (Stock Flat)		Projected P&L (Stock Up 50%)	
Stock sale proceeds	69,294,968		103,942,452		155,913,678	
Portfolio value on SPV purchase date	(103,942,452)		(103,942,452)		(103,942,452)	
Gain/(loss) on stock		(34,647,484)				51,971,226
Proceeds from sale of 100 day put	-		-		-	
Cost of long 100 day put	(15,321,117)		(15,321,117)		(15,321,117)	
Gain/(loss) on 100 day put		(15,321,117)		(15,321,117)		(15,321,117)
Cost of covering 100 day call	-		-		-	
Proceeds from short 100 day call	12,219,930		12,219,930		12,219,930	
Gain/(loss) on 100 day call		12,219,930		12,219,930		12,219,930
Warrant premium	50,547,000		50,547,000		50,547,000	
Interest on warrant premium (7% / 60 months)	17,691,450		17,691,450		17,691,450	-
Gain/(loss) on warrant		68,238,450		68,238,450		68,238,450
Total trading gain/(loss)		30,489,779		65,137,263		117,108,489
Prepaid interest (includes 1% purchase premium)		(3,469,718)		(3,469,718)		(3,469,718)
Interest on bank loan used to settle seller financing (7% / 56.6 months)		(34,358,755)		(34,358,755)		(34,358,755)
Investment gain/(loss)		(7,338,694)		27,308,790		79,280,016
Quadra structuring & advisory fees		(2,900,000)		(2,900,000)		(2,900,000)
Net gain/(loss)		(10,238,694)		24,408,790		76,380,016
Return Analysis						
Periodic Return A - based on all costs (see assumption 4)		-6.9%		16.5%		51.7%
Periodic Return B - based on initial cash requirements (see assumption 5)		-108.1%		257.7%		806.5%

Assumptions:
1. The portfolio value fluctuates within the 100 day collar strike range (i.e. both the short-term put option and short-term call option expire out-of-the-money)
2. The above scenarios reflect the long-term movement in the equity portfolio value with fund borrowed from another source
3. The denominator used in the Return Analysis - Periodic Return A includes the purchase price of the SPV, the cost of the collar, prepaid interest, interest on the long-term bank loan, and structuring/advisory fees.
4. The denominator used in the Return Analysis - Periodic Return B includes the cost of the collar, prepaid interest, and structuring/advisory fees

Dated 21 September 2001

Titanium Trading Partners LLC

EA Investment Services Limited

Call Warrants due 21 September 2006

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (the "Agreement") is made on 21 September 2001, between:

(1) Titanium Trading Partners LLC, a limited liability company organised under the laws of Delaware (the "Issuer"); and

(2) EA Investment Services Limited, a company organised under the laws of the British Virgin Isles (the "Company").

WHEREAS:

The parties wish to record the arrangements between them for the issue by the Issuer of 1000 US$ covered call warrants due 21 September 2006 (the "Warrants", which expression where the context so admits shall include the Global Warrant (as defined below) to be delivered in respect of them).

IT IS AGREED as follows:

1. ISSUE AND SUBSCRIPTION

(a) Subject to the terms and conditions of this Agreement, the Issuer agrees to issue the Warrants on 21 September 2001 or on such later date as the Issuer and the Company may agree (the "Closing Date"). The Warrants will be subscribed for at a subscription price of US$345,273 per Warrant (the "Subscription Price").

(b) The Company hereby agrees to subscribe and pay for, or to procure subscriptions and payment for, the Warrants on the Closing Date at the Subscription Price subject to the terms of this Agreement.

2. CLOSING

(a) On the Closing Date, the Issuer will issue and deliver to the Company or to its order a duly executed global warrant representing the Warrants (the "Global Warrant").

(b) Against such delivery the Company will pay or cause to be paid to the Issuer in immediately available funds the subscription monies for the Warrant (being the Subscription Price of the Warrant).

(c) The Issuer hereby authorises and instructs such payment(s) to be credited to an account of the Issuer at the Company (the "Issuer Account"), which monies shall remain so credited until the expiry or exercise by holders of the Warrants (on a pro rata basis in the case of only some of the Warrants being exercised) or until the exercise of the Put Right in accordance with clause 6 below.

3. UNDERTAKINGS BY THE ISSUER

The Issuer undertakes with the Company as follows:

(a) the Issuer will pay any stamp, issue, registration, documentary, transaction or other taxes and duties, including interest and penalties, payable on or in connection with the creation, issue and offering of the Warrants or the execution or delivery of this Agreement; and

(b) the Issuer will forthwith notify the Company if at any time prior to payment of the subscription monies to the Issuer on the Closing Date anything occurs which renders or may render untrue or incorrect in any respect any of the representations and warranties contained in clause 5 and will forthwith take such steps as the Company may reasonably require to remedy and/or publicise the fact.

4. REPRESENTATIONS AND WARRANTIES

As a condition of the obligation of the Company to subscribe and pay for or procure subscriptions and payment for the Warrant, the Issuer represents and warrants to the Company on a continuing basis that:

(a) the Warrants are at the date of issue fully covered as a result of the Issuer holding, or having the unconditional right to call for, the Basket Shares (as defined in the Global Warrant);

(b) it is duly organised and validly existing under the laws of Delaware with full power and authority to own its assets and to conduct a business;

(c) all necessary actions, authorisations, conditions and things (including, without limitation, any necessary filings, registrations and consents) required to be taken, given, fulfilled and done by or on behalf of the Issuer in Delaware have been, or will be, taken, given, fulfilled and done in connection with the issue of the Warrants on or before the Closing Date;

(d) no consent, approval, authorisation, licence or qualification of or with any court or governmental agency or body is required and no other action or thing is required to be taken, fulfilled or done in relation to this paragraph 4(d) which has not been taken, fulfilled or done on or prior to the date hereof by the Issuer for the execution and delivery of the Agreement and the issue and distribution of the Warrants and the performance of the terms of the Warrants;

(e) the matters referred to in paragraph 4(d) above do not and will not:

(i) infringe, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting the Issuer, or any indenture, trust deed, mortgage or other agreement or instrument to which the Issuer or any of its subsidiaries is a party or by which it or any of its properties is bound; or

(ii) conflict with any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body, administrative agency or court, domestic or foreign, having jurisdiction over the Issuer, any such subsidiary or any of its properties.

(f) this Agreement has been duly authorised, executed and delivered by the Issuer and constitutes valid and legally binding obligations of the Issuer enforceable in accordance with their respective terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally;

(g) the Warrants have been duly authorised by the Issuer and, when duly executed, authenticated and issued will constitute valid and legally binding obligations of the Issuer

enforceable in accordance with their respective terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally;

(h) there are no pending actions, suits or proceedings against or affecting the Issuer or any of its subsidiaries or any of its properties which, if determined adversely to the Issuer or any such subsidiary, would individually or in the aggregate have a material adverse effect on the condition (financial or other), prospects, results of operations or general affairs of the Issuer or on the ability of the Issuer to perform its obligations under this Agreement or the Warrants or which are otherwise material in the context of the issue of the Warrant and, to the best of the Issuer's knowledge, no such actions, suits or proceedings are threatened or contemplated;

(i) no stamp or other duty is assessable or payable in, and no withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature is imposed or made for or on account of any income, registration, transfer or turnover taxes, customs or other duties or taxes of any kind, levied, collected, withheld or assessed by or within, Delaware in connection with the authorisation, execution or delivery of this Agreement or with the authorisation, execution, issue, sale or delivery of the Warrants;

(j) no event has occurred or circumstance arisen which, had the Warrant been issued, might (or with the giving of notice and/or the lapse of time and/or the fulfilment of any other requirement might) constitute an "Event of Default" as defined in the terms and conditions of the Warrants ;and

(k) that neither the Issuer, its affiliates nor any persons acting on its behalf has made or will make offers or sales of securities under circumstances that would require the registration of the Warrants under the United States Securities Act of 1933.

5. CONDITIONS PRECEDENT

This Agreement and the obligations of the Company are conditional upon:

(a) there having been, as at the Closing Date, no adverse change which is material in the context of the issue of the Warrants, in the financial or other condition of the Issuer, nor any breach of, nor any event rendering untrue, misleading or incorrect in any material respect, any of the warranties of the Issuer contained herein, nor any breach by the Issuer of any of its obligations hereunder;

(b) the Issuer holding, or having the unconditional right to call for the Basket Shares (as defined in the Global Warrant) on the Closing Date.

6. PUT RIGHT

(a) If at any time prior to the expiry of the Warrants, the Issuer no longer holds, or no longer has the right to call for the Basket Shares, then the Company shall have the right (the "Put Right") to put back to the Issuer all or any Warrants then outstanding which at such time it continues to hold for its own account.

(b) In the event that the Company exercises the Put Right in accordance with this clause, then it shall deliver to the Issuer the Warrants in respect of which such right is exercised and shall, if appropriate, amend the Global Warrant accordingly.

(c) In exchange for the delivery of such Warrants to the Issuer, the Issuer shall be liable to pay to the Company an amount per Warrant equal to the Subscription Price plus interest thereon for the period commencing on the Closing Date and ending on the date of delivery by the Company at a rate equal to the rate of interest payable on the Issuer Account, which payment shall be satisfied and discharged by the Company debiting the Issuer Account by the appropriate amount.

7. INDEMNITY

The Issuer agrees to indemnify and hold harmless the Company and its respective directors, officers, employees (each an "Indemnified Person") from and against any and all losses, claims, damages, liabilities, judgements and expenses (including, but not limited to, legal costs and expenses) which it may incur, or which may be made against it caused by or arising out of any breach or alleged breach of any of the representations, warranties, undertakings or agreements contained in, or any certificate issued by the Issuer pursuant to, this Agreement. The amount paid or payable by an Indemnified Person as a result of such losses, claims, damages, liabilities, judgments or expenses shall include any legal or other expense incurred by such Indemnified Person in connection with investigating or defending such claim.

8. TERMINATION

(1) The Company may by notice given at any time prior to payment of the subscription monies for the Warrants to the Issuer terminate this Agreement if:

(a) any of the representations and warranties contained in clause 4 shall have been untrue in any material respect at the time of making thereof or shall subsequently have become untrue in any material respect or in the event of failure to perform any of the Issuer's undertakings or agreements in this Agreement; or

(b) on the Closing Date any of the events specified in clause 6(a) have occurred; or

(c) in the opinion of the Company, there shall have been since the date hereof, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls such as would in the view of the Company be likely to prejudice materially the success of the offering and distribution of the Warrant or dealings in the Warrant in the secondary market.

(2) Upon such notice being given, the parties hereto shall be released and discharged from their obligations hereunder.

9. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

10. GOVERNING LAW AND JURISDICTION

(1) This Agreement is governed by, and shall be construed in accordance with, English law.

(2) The Issuer hereby agrees for the benefit of the Company that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings arising out of or in connection with this Agreement may be brought in such courts.

IN WITNESS whereof this Agreement has been entered into on the date hereinbefore stated.

Titanium Trading Partners LLC

By: J. A STADDON
DIRECTOR OF MANAGING MEMBER

EA Investment Services Limited

By:

10. GOVERNING LAW AND JURISDICTION

(1) This Agreement is governed by, and shall be construed in accordance with, English law.

(2) The Issuer hereby agrees for the benefit of the Company that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings arising out of or in connection with this Agreement may be brought in such courts.

IN WITNESS whereof this Agreement has been entered into on the date hereinbefore stated.

Titanium Trading Partners LLC

By:

EA Investment Services Limited

By: Fay Roberts, Director

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Brian Hanson
Sent: Thursday, July 27, 2000 9:21 AM
To: 'Rajan Puri'
Cc: Christopher Hirata
Subject: RE: Reka/Burgundy Investments in QAFII, LLC

Raj,

I assume that that at some point we are going to get account statements from those guys, right??? Maybe you can work on them for some. Also, how about EurAm statements that reflect the Warrant premium deposit and accrued interest??? I sent John a copy of what we think a statement should look like. Tell us what you know about the status on that as well.

Thanks Raj!

Brian

-----Original Message-----
From: Rajan Puri [mailto:rajan.puri@e[redacted]
Sent: Thursday, July 27, 2000 5:36 AM
To: 'Christopher Hirata'; Rajan Puri
Cc: Brian Hanson; Eric M. Schuehle; 'jstaddon@[redacted]; Chuck Wilk
Subject: RE: Reka/Burgundy Investments in QAFII, LLC

Chris et al

The IoM guys wired the monies this morning for value today. Of this, I understand that the interest accruing on the total was approx USD55k.

Cheers
Raj

-----Original Message-----
From: Christopher Hirata [mailto:chrish@[redacted]
Sent: Thursday, July 27, 2000 12:46 AM
To: 'rajan.puri@[redacted]
Cc: Brian Hanson; Eric M. Schuehle; 'jstaddon@[redacted]; Chuck Wilk
Subject: Reka/Burgundy Investments in QAFII, LLC

Raj,

As you may be aware, Reka Limited and Burgundy Limited are each making an investment in Quadra Appreciation Fund II, LLC effective August 1, 2000. For this investment to take place, they need to wire the funds for value no later than tomorrow, July 27, 2000.

The amount to be invested by Reka Limited will be the net trading proceeds from Jackstones of $5,737,623 plus any accrued interest on this amount from June 9th through July 27th. The amount to be invested by Burgundy Limited will be $5,394,781(plus any accrued interest from June 9th through July 27th) which represents the trading proceeds from Jackstones less any advisory fees (including the $20,000 still owed to EurAm).

Please wire the above amounts inclusive of interest from Triskelion to Quadra Appreciation Fund II, LLC according to the following instructions:

Bank of America
Main Office at Columbia Center

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 271

PSI-QUEL 11432

P.O. Box 3586
Seattle, WA 98124
ABA: 125-000-024
For the account of: Quadra Appreciation Fund II, LLC
Account #: [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Raj, I cannot stress enough the importance of having the funds sent for value tomorrow so that we receive them tomorrow. Thanks in advance for your attention to this. If you have any questions whatsoever that would hold this up, call me at home (regardless of the time) at (425) 788-4141.

Regards,

Chris Hirata
Quadra Custom Strategies, LLC
Phone: (206) 613-6700
Fax: (206) 613-6713

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Eric M. Schuehle
Sent: Monday, July 31, 2000 6:52 PM
To: Christopher Hirata
Subject: RE: Draft BVI interest statements for your review

The wires were completed the day after the trades terminated. That make sense to me.

The rest of the information, interest calculations and the premium all look good.

-ES

-----Original Message-----
From: Christopher Hirata
Sent: Monday, July 31, 2000 2:54 PM
To: Eric M. Schuehle
Subject: FW: Draft BVI interest statements for your review

After the CT rush, please take a look at these and make sure they are what we are looking for (both from a number standpoint and presentation standpoint). Thx.

-----Original Message-----
From: Rajan Puri
Sent: Monday, July 31, 2000 4:44 AM
To: 'chrish[redacted]'
Subject: Draft BVI interest statements for your review

Chris

ok...I attach a spready showing the interest statements to be presented from BVI to each of the SPVs (Torens, Reka, Burgundy), illustrating account balances in respect of the warrant premium re-deposited with BVI.
<<BVI_WarrantInterestStatements.xls>>

Please let me know if there is anything else you want on there.

Cheers
Raj

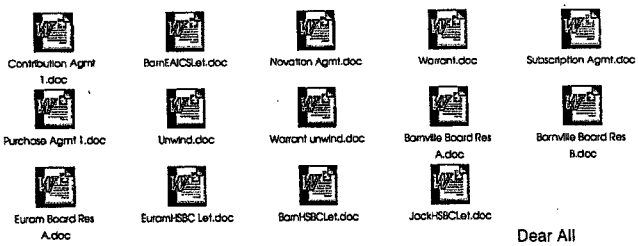
...now for the Promissory Note stuff!!

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 271

PSI-QUEL 11267

Redacted by the Permanent Subcommittee on Investigations

Brian Hanson
From: Shaikh Arfan [Arfan.Shaikh@
Sent: Tuesday, September 04, 2001 4:25 AM
To: Brian Hanson (E-mail); Lana Phillips (E-mail)
Cc: John Staddon (E-mail); Puri Rajan
Subject: Titanium



Dear All

I've set out a summary of what was agreed on Friday's call and have attached, where necessary, updated documents.

Operating Agreement

I suggested that the cleanest way forward would be to attach both the Contribution Agreement and the letter/consent between Barnville and EAICS as schedules and be mentioned in the existing schedule concerning contributions. Lana is checking this and is due to provide a redraft of the Operating Agreement. I think this is the most important document that needs to be finalised as any serious amendments will have knock on effects on the other documentation.

Contribution Agreement

A redraft is attached.

<<Contribution Agmt 1.doc>>

Letter Agreement/Consent Barnville/EAICS

I've now reviewed the written consent document. As Brian stated on the telephone its content is very similar to that of the letter agreement I produced earlier. I do not have an issue on the format. The one difference is that the letter outlines why EAICS has a 1% interest. We agreed that whatever documentation was going to be used, this point had to be incorporated into it. Lana agreed to check the documentation and come back with a revised consent document or comments on my letter. The draft letter agreement is attached.

<<BarnEAICSLet.doc>>
Novation Agreement

A redraft is attached.

<<Novation Agmt.doc>>
Global Warrant and Subscription Agreement

Revised drafts are attached incorporating Brian's comments.

<<Warrant.doc>> <<Subscription Agmt.doc>>

Purchase Agreements

A revised purchase agreement for TAC and Barnville is attached. It should incorporate the changes we discussed.

In respect of the purchase agreement for Cheryl Saban and EAICS, I am still waiting for confirmation of the purchase methodology. The current proposal is that the payment will be delayed for a period (with a backstop date of 31 December 2001). Ms Saban will issue a promissory note to cover that period. The proposed interest rate being Libor plus 25bp. I should have a redraft of this purchase agreement by your open tomorrow.

<<Purchase Agmt 1.doc>>

Stock Loans Unwind/Warrant Unwind

Redrafts are attached.

<<Unwind.doc>> <<Warrant unwind.doc>>

Titanium Trading Partners Consents

I've reviewed the acceptances of the Operating Agreement by TAC and Cheryl Saban. Both are fine.

You have produced 4 Members consents. In general, I have very few comments on them. The basic difficulty is that they all look very similar and only work when executed and signed in a particular order. I think the order should be made clear by, perhaps, incorporating the order in the title of the document. The current order does not seem to work.

The order should be:

1. Written consent EAICS/Barnville re appointment of EAICS as Managing Member (NB my comments above)
2. Written consent of Managing Member (EAICS)
3. Written consent of Members (EAICS/TAC)
4. Written consent of Majority Member (TAC)

My specific comments on each of these (using my numbering) are:

1. Already stated above
2. A general comment for each of these is that defined terms from the Operating Agreement are used without defining them in the Consents. For ease of understanding a line such as "Capitalised terms not otherwise defined in this Consent shall bear the same meanings given to them in the Operating Agreement of the Company" could be inserted. The third para should read "RESOLVED, That EAICS, as Managing Member of the Company,....". The date also needs to be updated.
3. 2nd line of 2nd para should state "..the Members hereby appoint TAC and replace EAICS as the sole Managing Member...". Again the date needs to be updated.
4. The first line should state "...the Majority Member and Managing Member..." and the third para should read "RESOLVED, That TAC, as Managing Member of the Company,...". The date also needs to be updated.

Barnville/EAICS Board Minutes

Redrafts are attached.

<<Barnville Board Res A.doc>> <<Barnville Board Res B.doc>> <<Euram Board

Res A.doc>>

Payment instructions to HSBC

Draft instruction letters from EAICS, Barnville and Jackstones are attached.

<<EuramHSBC Let.doc>> <<BarnHSBCLet.doc>> <<JackHSBCLet.doc>>

Accountants Letter/ Sellers Opinion

Both are progressing nicely.

I have noted Brian's comments re the Seller's opinion. Brian - please confirm that this is required solely for Barnville and that you accept that by asking a lawyer to opine on executed documents, the opinion can only be delivered after completion.

Drafts of these documents will be forwarded as soon as they have been produced by the accountants/lawyers.

General

All documents should now have (where applicable) a counterparts clause. We are aiming to finalise all documents (other than perhaps the Accountants Letter/Sellers Opinion) by close wed (USA).

Brian - can you clarify when signing will take place. The trade date is the 10th. I understand that the pricing will not be finalised until USA close on Monday, the prices will be forwarded to us and we will amend the documentation on our open on Tuesday. Should we therefore be lining up signatories for the 11th?

Originals of documents - have we agreed how many copies of each document should be signed? I think it should be one more than the number of signatories per document.

Brian/Lana - can we talk at around 4.30pm my time to discuss the above?

Arfan

Titanium Checklist

	A	B	C
1	ENTITY	DES.	Addtn'l. Info
3			
4			
5	Jackstones Limited	Isle of Man	
6	Barnville Limited	Isle of Man	
7	EAICS	Nominee SH	
8	Titanium Trading Partners LLC	LLC	98-0234840
9	European American Investment Bank AG	Warrant Placement Agent	
10	Mark Moroney Advocates	Seller's Opinion Writer	
11	Titanium Acquisition Corporation	Maj. Partner	
12	Silverlight Enterprises, L.P.	Maj. Partner of TAC	
13	5161 Corporation	Maj. Partner of Silverlight	
14	Tanya Nicole Saban Education Trust	Interested Party	
15	Ness Alexander Saban Education Trust	Interested Party	

Titanium Checklist

	D	E	F	G	H	I	J	K	L	M	N	O
1		Contract or Purchase	Operating Agreement	Joint Venture Agreement	Officer's Report - SV	Officer's Report - SAGE	Underwriter's Opinion	Accountant's Report	Seller's Opinion	Purchase and Sale	Vendor Agreement	Other
3	DATE OF EXECUTION	08/01/00	09/10/01	09/10/01	09/10/01	09/10/01	09/01/01	09/24/01	09/24/01	09/10/01	09/24/01	09/10/01
4	RESPONSIBLE FOR EXECUTION	BC	EA	EA	EA	EA	EA	EA	EA	EA	EA	EA
5	1											
6	2						X					
7	3						X					
8	4											
9	5											
10	6											
11	7											
12	8											
13	9											
14	10											
15	11											

Titanium Checklist

	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF
1		Global CSA Model				Loan Summary	Term of Guaranty	Credit Agreement	Note								
3	09/10/01	09/10/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	08/17/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01
4	EA	EA	EA	EA	HSBC/Q	HSBC/Q	HSBC/Q	HSBC/Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
5																	
6																	
7																	
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15																	

Titanium Checklist

	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW
1																	
3	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/24/01	09/10/01
4	Q	EA	EA	EA	EA	Q	Q	Q	Q	Q	Q	Q	Q	HSBC/Q	HSBC/Q	Q/EA	Q/EA
5																	
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14																	
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Titanium Checklist

	AX
1	
3	09/10/01
4	Q/EA
5	
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15	

2000 Trading Partners, LLC

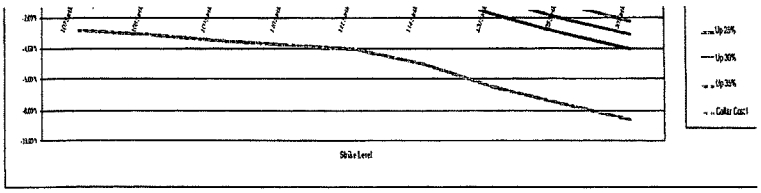
Equity Basket Probability Analysis

120 Day Probability Analysis	
Down 20% or greater	28.19%
Down 10% or greater	38.64%
Down 5% or greater	44.26%
Up 5% or greater	44.26%
Up 10% or greater	38.64%
Up 20% or greater	28.19%

30 Day Probability Analysis	
Down 20% or greater	12.41%
Down 10% or greater	28.19%
Down 5% or greater	38.64%
Up 5% or greater	38.64%
Up 10% or greater	28.19%
Up 20% or greater	12.41%

Notes and Assumptions:

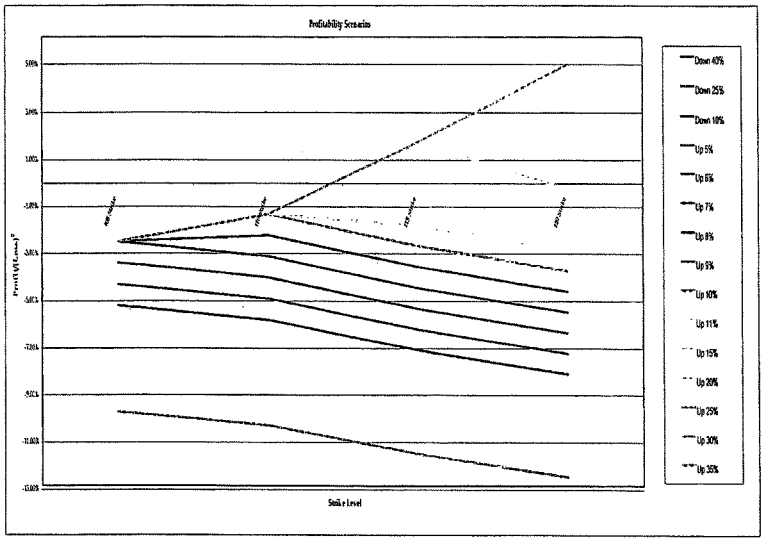
1. The historical pricing data used for this analysis was for the period July 1, 1999 through November 24, 2000 and
2. 120 day volatility assumption is 60
3. 30 day volatility assumption is 60
4. Basket is comprised of 10 equities
5. ***Past results are not necessarily indicative of future results***


Strike Level

Halm Sahan

150 Day Profitability Scenarios

	Fee Effects																
	Down 40%	Down 25%	Down 10%	Flat	Up 5%	Up 6%	Up 7%	Up 8%	Up 9%	Up 10%	Up 11%	Up 15%	Up 20%	Up 25%	Up 30%	Up 35%	Collar Cost[1]
100 Strike	-9.85%	-9.85%	-9.85%	-9.85%	-5.25%	-4.45%	-3.94%	-2.64%	-2.64%	-2.64%	-2.64%	-2.64%	2.64%	2.64%	2.64%	2.64%	3.73%
110 Strike	-10.63%	-10.63%	-10.63%	-10.63%	-5.95%	-5.05%	-4.16%	-3.26%	-2.36%	-1.47%	-1.47%	-1.47%	-1.47%	-1.47%	-1.47%	-1.47%	4.44%
115 Strike	-11.65%	-11.65%	-11.65%	-11.65%	-7.24%	-6.35%	-5.47%	-4.58%	-3.70%	-2.82%	-1.93%	1.60%	1.60%	1.60%	1.60%	1.60%	5.99%
120 Strike	-12.62%	-12.62%	-12.62%	-12.62%	-8.75%	-7.37%	-6.50%	-5.63%	-4.75%	-3.88%	-3.01%	-0.38%	4.86%	4.86%	4.86%	4.86%	7.28%



Notes and Assumptions:

1. Collar cost is calculated based on the total purchase price of the basket
2. Returns are based on a 150 day period (not annualized).

Haim Saban

150 Day 100/106 Collar - All Expiration
Collar and Basket Pricing as of 3/7/2011

Assumptions

Portfolio Cost Basis	$	1,340,000,000	Put Strike	100.00%	Weighted Subscription Price	250.00	Investor Borrowing Rate		4.750%
Portfolio Trade Fees		270,000,211	Call Strike	106.00%	Number of Warrants	1.00	Investor Loan Amount	$	777,000,000
Approximate Initial Loan	$	777,000,000	Collar Cost[1]	-3.25%	Interest on Deposit Accounts	1.00%			
			Days	150					

Cost as a % of Initial Loan -4.04%

Performance Analysis

	Projected P&L (Stock Down 20%)[2]		Projected P&L (Stock Flat)[3]		Projected P&L (Stock Up 5%)		Projected P&L (Stock Up 15%)[4]	
Stock sale proceeds	537,307,200		770,000,000		808,500,000		885,500,000	
Portfolio value on SPV purchase date	(970,000,000)		(770,000,000)		(777,000,000)		(770,000,000)	
Gain/(loss) on stock		(432,692,800)		-		31,500,000		115,500,000
Proceeds from 150 day collar	150,307,200		-		-		-	
Cost of 106 day collar	(182,775,000)		(96,525,000)		(68,775,000)		(68,775,000)	
Gain/(loss) on 106 day collar		(32,467,800)		(96,525,000)		(68,775,000)		(68,775,000)
Warrant premium	259,000,000		259,000,000		259,000,000		259,000,000	
Interest on warrant premium (LIBOR)	2,592,000		2,592,000		2,592,000		2,592,000	
Capital Warrant Int.	(259,000,000)		(259,000,000)		(259,000,000)		(259,000,000)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(432,692,800)		(96,525,000)		31,500,000		115,500,000
Accretive financing		(18,240,000)		(18,240,000)		(18,240,000)		(18,240,000)
Arrangers fees		(13,500,000)		(13,500,000)		(13,500,000)		(13,500,000)
Bryan Cave LLP legal fees		(500,000)		(500,000)		(500,000)		(500,000)
Credit Suisse Securities, LLC		(15,000,000)		(15,000,000)		(15,000,000)		(15,000,000)
Structuring fee[5]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Margin/(loss)		(86,305,000)		(151,265,000)		(42,915,000)		72,915,000
Annualized Investment Return Analysis[6]								
Periodic Return		-11.56%		-8.02%		-2.76%		3.64%
Annualized Return		-28.87%		-20.03%		-6.91%		9.09%

Notes and Assumptions:
1. Theoretical cost based on mid pricing provided by HSBC
2. Assumes stock price goes to 0.8% of initial buy
3. Put/Call fall down to parameters on stock at expiration
4. Call limits upside on stock at 6% (ie capped)
5. Actual investment return calculations are based on the total initial equity portfolio, purchase price collar premium and structuring fees

Haim Saban

250 Day HSO/100 Collar - All Expirations
Collar mid-Market Pricing as of 3/17/09

Assumptions

Portfolio Cost Base	$ 1,063,000,000	Put Strike	100.00%	Warrant Strike per Share	250.00	Investor Borrowing Rate	6.75 %
Portfolio Trade Date	7/9/2009	Call Strike	130.00%	Number of Warrants	1,000	Investor Loan Amount	$ 750,000,000
Approximate Initial Loan	$ (750,000,000)	Collar Cost[1]	-4.64%	Interest on Deposit Account	3.25%		
		Days	250				

Cost as a % of Initial Loan -2.22%

	Projected P&L (Stock Down 25%)[2]		Projected P&L (Stock Flat)[3]		Projected P&L (Stock Up 50%)		Projected P&L (Stock Up 100%)[4]	
Stock sale proceeds	577,281,250		771,093,750		938,671,875		987,031,250	
Portfolio value on EPF purchase date	(970,000,000)		(970,000,000)		(777,000,000)		(970,000,000)	
Gain/(loss) on sale		(392,718,750)		-		35,671,875		17,031,250
Proceeds from 250 day collar	150,937,500		-		-		-	
Cost of 250 day collar	(34,193,062)		(34,193,062)		(34,193,062)		(34,193,062)	
Gain/(loss) on 250 day collar		116,744,437		(34,193,062)		(34,193,062)		(34,193,062)
Warrant premium	250,000,000		250,000,000		250,000,000		250,000,000	
Interest on warrant premium (LIBOR)	2,937,500		2,937,500		2,937,500		2,937,500	
Cost of Warrant Int.	(252,937,500)		(252,937,500)		(252,937,500)		(252,937,500)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(34,193,062)		(34,193,062)		1,312,500		(17,193,062)
Incentive fee accrual		(17,247,656)		(23,718,750)		(18,243,750)		(28,748,750)
Accrued profit fees		(18,750,000)		(25,000,000)		(18,750,000)		(18,750,000)
Bryan Cave LLP legal fees		(750,000)		(750,000)		(750,000)		(750,000)
Orchestra Guarantee Expenses, LLC		(15,000,000)		(15,000,000)		(15,000,000)		(15,000,000)
Investment fees[5]		(71,918,656)		(79,468,750)		(71,193,750)		(81,748,750)
Net gain/(loss)		(81,917,656)		(83,662,500)		(69,881,250)		(82,441,812)
Annual Investment Return Analysis[5]								
Periodic Return		-17.43%		-19.45%		-5.55 %		-1.47%
Annualized Return		-52.37%		-25.57%		-16.67 %		-4.57%

Notes and Assumptions:
1. The collar cost is based on actual pricing provided by HSC
2. Assumes investment loan equal to 75% of total buy
3. Fee/Gain/Loss calculated on projected sale price for expenses)
4. Call limits upside on stock to 30% (at my cost)
5. Actual investment return calculations are based on the total social cost (per Seller purchase price, collar premium and investment fees)

Confidential

Quadra Capital Strategies, LLC

PSI-QUEL 36839

Haim Saban

250 Day HSP/IS Collar - All Expirations

Collar and Basket Pricing as of 07/13/01

Assumptions

Portfolio Cost Basis	$ 1,960,891,408	Put Strike	100.00%	Warrant Subscription Rate	105.00%	Investor Borrowing Rate	4.75%
Portfolio Funds From	270,000,534	Call Strike	125.00%	Number of Warrants	1.00	Investor Loan Amount	$ 750,000,534
Approximate Initial Loan	$ (750,000,534)	Collar Cost[1]	0.00 %	Interest on Deposit Account	3.61%		
		Days	250				

Cost as a % of Initial Loan 0.00%

Projected Gain/(Loss)

	Projected P&L (Stock Down 25%)[2]		Projected P&L (Stock Flat)[3]		Projected P&L (Stock Up 53%)		Projected P&L (Stock Up 25%)[4]	
Stock risk proceeds	577,351,656		577,351,656		882,571,140		882,571,140	
Portfolio value on HSP purchase date	(577,351,656)		(577,351,656)		(577,351,656)		(577,351,656)	
Gain/(loss) on stock		(192,117,156)		-		305,219,484		305,219,484
Proceeds from 250-day collar	192,117,156		-		-		-	
Cost of 250-day collar	(192,117,156)		(192,117,156)		(192,117,156)		(192,117,156)	
Gain/(loss) on 250-day collar		192,117,156		(192,117,156)		(192,117,156)		(192,117,156)
Warrant premium	283,153,434		283,153,434		283,153,434		283,153,434	
Interest on warrant premium (3.25%)[5]	6,575,010		6,575,010		6,575,010		6,575,010	
Cost of Warrants Put	(289,728,444)		(289,728,444)		(289,728,444)		(289,728,444)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(192,117,156)		(192,117,156)		113,102,328		113,102,328
Investor financing		(35,718,753)		(35,718,753)		(35,718,753)		(35,718,753)
Attorney's fees		(35,000,000)		(35,000,000)		(35,000,000)		(35,000,000)
Tyco/Covs LLP legal fees		(750,000)		(750,000)		(750,000)		(750,000)
Quellos Custom Strategies, LLC		(35,000,000)		(35,000,000)		(35,000,000)		(35,000,000)
Short swap fee[6]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Net gain/(loss)		(307,585,909)		(307,585,909)		27,133,575		27,133,575
Actual investment Return Analysis[7]								
Pre-tax Return		-15.68%		-15.68%		1.38%		1.38%
Annualized Return		-38.92%		-38.92%		3.43%		3.43%

Notes and Assumptions:

1. The collar and basket are fixed rate final pricing provided by HSPC
2. Assumes investment fees equal to 2% of initial loan
3. Portfolio held. Investor permitted to switch light exposure
4. Collateral equals no stock to 150% for expirations
5. Actual investment return calculations are based on the initial stock/portfolio purchase price, collar premium and short swing fees

Haim Saban

150 Day XIQ200 Collar - At Expiration
Collar and Basket Pricing as of 3/13/07

Assumptions

Portfolio Cost Basis	$ 1,540,000,000	Put Strike	110.00%	Weighted Subscription Price	150.000	Investor Borrowing Rate	6.75%
Portfolio Trade Price	770,000,000	Call Strike	120.00%	Number of Warrants	10%	Investor Loan Amount	$ 770,000,000
Approximate Initial Loan	$ 770,000,000	Collar Cost[1]	-7.24%	Interest on Deposit Account	3.81%		
		Days	150				

Customer Initial Loan 6.81%

Projected Collar Settlement

	Projected P&L (Basket Down 25%)[2]		Projected P&L (Basket Flat)[3]		Projected P&L (Basket Up 12%)		Projected P&L (Basket Up 25%)[4]	
Stock sale proceeds	577,500,000		770,000,000		862,400,000		962,500,000	
Portfolio value on 30% purchase date	(770,000,000)		(770,000,000)		(770,000,000)		(770,000,000)	
Gain/(loss) on stock		(192,500,000)	-	-		92,400,000		192,500,000
Proceeds from 150 days collar	192,500,000		-	-	-		-	
Cost of 150 day collar	(55,750,000)		(55,750,000)		(55,750,000)		(55,750,000)	
Gain/(loss) on 150 day collar		136,750,000		(55,750,000)		(55,750,000)		(55,750,000)
Warrant premium	200,000,000		200,000,000		200,000,000		200,000,000	
Interest on warrant premium ($200M)	3,875,000		3,875,000		3,875,000		3,875,000	
Cost of Warrant Pool	(204,000,000)		(204,000,000)		(204,000,000)		(204,000,000)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(55,750,000)		144,750,000		(147,750,000)		136,750,000
Investor financing		(15,750,000)		(15,750,000)		(15,750,000)		(15,750,000)
Attorney's fees		(3,000,000)		(3,000,000)		(3,000,000)		(3,000,000)
Bryan Cave LLP legal fees		(750,000)		(750,000)		(750,000)		(750,000)
Credit Custom Strategies, LLC		(3,000,000)		(3,000,000)		(3,000,000)		(3,000,000)
Structuring fee[5]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Net gain/(loss)		(78,750,000)		113,750,000		(77,750,000)		106,750,000
Actual investment before Acq'n[6]								
Pre-tax Return		-10.23%		14.77%		-10.10%		13.86%
Annualized Return		-38.39%		54.99%		-37.91%		51.85%

Notes and Assumptions:
1. The collar cost is based on actual pricing provided by HSBC
2. Assumes investment is lost equal to 75% of initial loan
3. Portfolio held flat through projection to shelf [closing price]
4. Collar is very upside in stock to 200 for experience)
5. Actual investment return calculated using the total initial multiple of dollar purchase price, collar premium and structuring fee)

Confidential — Credit Custom Strategies, LLC

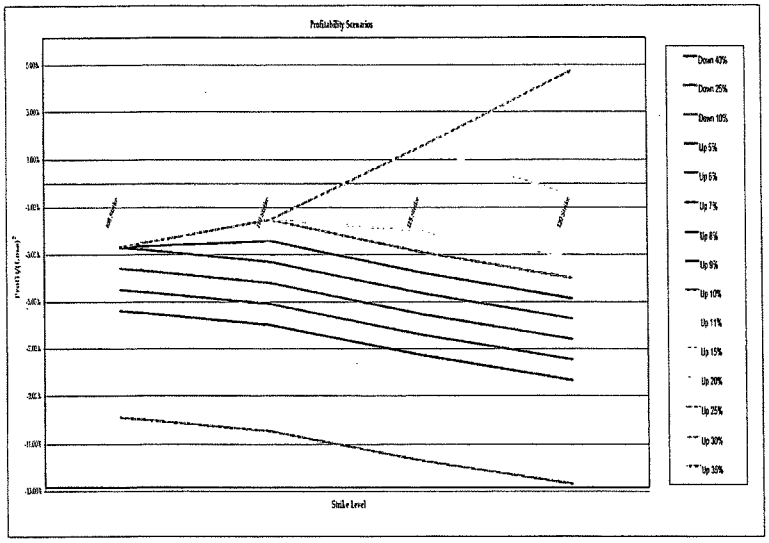
PSI-QUEL 36841

Haim Saban

180 Day Profitability Scenarios

Fee Effects

	Down 40%	Down 25%	Down 10%	Flat	Up 5%	Up 6%	Up 7%	Up 8%	Up 9%	Up 10%	Up 11%	Up 15%	Up 20%	Up 25%	Up 30%	Up 35%	Collar Cost[1]
100 Strike	-10.03%	-10.03%	-10.03%	-10.03%	-5.33%	-4.63%	-3.73%	-2.83%	-2.83%	-2.03%	-2.03%	-2.03%	-2.03%	-2.03%	-2.03%	-2.03%	3.55%
110 Strike	-10.61%	-10.61%	-10.61%	-10.61%	-6.14%	-5.24%	-4.35%	-3.46%	-2.56%	-1.67%	-1.67%	-1.67%	-1.67%	-1.67%	-1.67%	-1.67%	4.22%
115 Strike	-11.34%	-11.34%	-11.34%	-11.34%	-7.46%	-6.55%	-5.67%	-4.79%	-3.91%	-3.03%	-2.15%	1.38%	1.38%	1.38%	1.38%	1.38%	5.64%
120 Strike	-12.05%	-12.05%	-12.05%	-12.05%	-8.49%	-7.62%	-6.75%	-5.88%	-5.01%	-4.14%	-3.26%	-0.05%	4.54%	4.54%	4.54%	4.54%	7.15%



Notes and Assumptions:

1. Collar cost is calculated based on the total purchase price of the basket
2. Returns are based on a 180 Day period (not annualized).

Halim Saban

180 Day HKFGE Collar - At Expiration
Collar and Basket Pricing as of 1/1/01

[redacted]

Portfolio Cost Basis	$ 1,345,000,000	Put Strike	100.00%	Warrant Subscription Price	250.00	Investor Borrowing Rate	4.50%
Portfolio Tax Rate	570,000,000	Call Strike	100.00%	Number of Warrants	1.0 X	Investor Loan Amount	$ 771,500,000
Appreciation in Initial Loan	$ (770,000,000)	Collar Cost[1]	-3.00 %	Interest on Deposit Account	5.00%		
		Days	180				

Cost as a % of Initial Loan -6.00 %

[redacted]

	Projected P&L (Class A Down 20%)[2]		Projected P&L (Class A Flat)[3]		Projected P&L (Class A Up 15%)		Projected P&L (Class A Up 45%)[4]	
Stock sale proceeds	577,500,000		750,000,000		862,500,000		1,087,500,000	
Portfolio value on SPV purchase date	(770,000,000)		(770,000,000)		(770,000,000)		(770,000,000)	
Gain/(loss) on stock		(192,500,000)		-		92,500,000		317,500,000
Proceeds from SPV Day collar	161,000,000		-		-		-	
Cost of SPV Day collar	(115,500,000)		(77,000,000)		(77,000,000)		(77,000,000)	
Gain/(loss) on SPV Day collar		45,500,000		(77,000,000)		(77,000,000)		(77,000,000)
Warrant premium	23,000,000		150,000,000		150,000,000		150,000,000	
Interest on warrant premium ($250M)	4,750,000		4,750,000		4,750,000		4,750,000	
Cost of Warrant Put	(27,750,000)		(154,750,000)		(154,750,000)		(154,750,000)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(77,000,000)		(77,000,000)		15,500,000		240,500,000
Investor borrowing		(15,500,000)		(15,500,000)		(15,500,000)		(15,500,000)
Attorney's fees		(1,312,500)		(1,312,500)		(1,312,500)		(1,312,500)
Tryon Cove LLP legal fees		(500,000)		(500,000)		(500,000)		(500,000)
CyrusOne Contract Borrowers, LLC		(1,950,000)		(1,950,000)		(1,950,000)		(1,950,000)
Structuring fees[5]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Net gain/(loss)		(99,262,500)		(103,762,500)		(11,262,500)		214,237,500
Annualized net cash Return Analysis[6]		-				-		
Preorder Return		-10.0 %		10.2 %		-5.5 %		15.5 %
Annualized Return		-21.0 %		-20.2 %		-11.2 %		6.4 %

Notes and Assumptions:
1. The collar cost is based on actual pricing provided by HSEC
2. Assumes the structuring fees equal to 1% of initial loan
3. Put strikes fall down to the projections on stock for expected
4. Call limits upside on stock to 30% for expected
5. Actual investment values calculations are based on the total annualized gain/(loss) purchase price, collar premium and structuring fees

Halim Saboun

180 Day TWAP Collar - At Expiration
Collar and Basket Pricing as of 07/14/20

Assumptions:

Portfolio Cost Basis	$ 1,360,000,000	Put Strike	100.0%	Warrant Subscription Price	$20.00	Investor Borrowing Rate	4.5%
Portfolio Trade Price	772,040,316	Call Strike	120.0%	Number of Warrants	1.0X	Investor Loan Amount	$ 772,040,316
Approximate Initial Loss	$ (587,959,684)	Collar Cost[1]	-1.37%	Interest on Deposit Account	3.0%		
		Days	180				

Current % of Initial Loss -5.34%

Projected P&L

	Projected P&L (Stock Down 25%)[2]		Projected P&L (Stock Flat)[3]		Projected P&L (Stock Up 25%)		Projected P&L (Stock Up 50%)[4]	
Stock, sale proceeds	577,981,566		770,868,754		928,537,343		867,672,566	
Portfolio value on FTV purchase date	(772,040,316)		(770,868,754)		(772,040,316)		(770,868,566)	
Gain/(loss) on stock		(194,058,750)		-		56,502,974		77,804,000
Proceeds from 180 Day collar	192,507,175		-		-		-	
Cost of 180 Day collar	(10,448,425)		(10,448,425)		(10,448,425)		(10,448,425)	
Gain/(loss) on 180 Day collar		182,058,750		(10,448,425)		(10,448,425)		(10,448,425)
Warrant premium	25,000,000		250,000,000		250,000,000		250,000,000	
Interest on warrant premium (LIBOR)	4,770,000		4,770,000		4,770,000		4,770,000	
Cost of Warrant Put	(225,000,000)		(225,000,000)		(225,000,000)		(225,000,000)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(12,000,000)		(22,448,425)		1,073,974		67,355,575
Investor financing	(10,200,000)		(10,200,000)		(10,200,000)		(10,200,000)	
Attorney's fees	(50,000)		(50,000)		(50,000)		(50,000)	
Bayou Cove LLC legal fees	(787,500)		(787,500)		(787,500)		(787,500)	
QuadCore Construction, LLC	(42,857,143)		(42,857,143)		(42,857,143)		(42,857,143)	
Structuring fee[5]	(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)	
Net gain/(loss)	(73,294,643)		(84,371,643)		(56,320,669)		(16,969,068)	
Actual Investment Return Analysis[6]								
Periodic Return	-13.69%		-10.61%		-4.38%		-1.57%	
Accumulated Return	-13.69%		-21.21%		-11.44%		-3.58%	

Notes and Assumptions:
1. The collar cost is based on actual pricing provided by MSPC
2. Assumes investment loss equal to 5% of total loss
3. Put strikes fall 4 months prior to an initial expiration)
4. Call strike equals to max to 10% (at expiration)
5. Assumes investment return calculations are based on a weighted initial (portfolio purchase price, collar premium and structuring fee)

Hasim Sahan

100 Day HOV/HOT Collar - All Expiration

Collar and Bullet Pricing as of 7/7/2021

Assumptions

Portfolio Cost Basis	$	1,562,200,138	Put Strike	110.00%	Planned Subscription Sales	250,000	Incentive Borrowing Rate	4.25%	
Portfolio Trade Price		779,095,138	Call Strike	110.00%	Number of Warrants	1,000	Incentive Loan Amount	$ 777,500,000	
Approximate Debt Loan	$	783,045,950	Collar Cost	-5.81 %	Interest on Deposit Account	0.01%			
			Days	365					

Cost as a % of Initial Loan -0.84%

Performance Summary

	Projected P&L (Base Down 20%)[1]		Projected P&L (Base Flat)[2]		Projected P&L (Base Up 5%)		Projected P&L (Base Up 10%)[3]	
Stock sale proceeds	937,317,206		976,995,344		997,571,348		985,529,350	
Portfolio value on 100% purchase date	(779,095,138)		(779,095,138)		(777,500,000)		(750,000,000)	
Gain (loss) on stock		(158,222,068)		-		20,071,348		35,529,350
Income from 100 Day collar	158,222,068		-		-		-	
Cost of 100 Day collar	(66,977,040)		(66,977,040)		(66,977,040)		(66,977,040)	
Gain (loss) on 100 Day collar		91,245,028		(66,977,040)		(66,977,040)		(66,977,040)
Warrant premium	250,150,034		250,150,034		250,150,034		250,150,034	
Interest on warrant premium [LIBOR]	4,779,452		4,779,452		4,779,452		4,779,452	
Cost of Warrants Exit	(254,929,486)		(254,929,486)		(254,929,486)		(254,929,486)	
Gain (loss) on warrant		-		-		-		-
Investment proceeds/(cost)		91,245,028		(66,977,040)		(46,905,692)		(31,447,690)
Interest on borrowing		(18,750,000)		(18,750,000)		(18,750,000)		(18,750,000)
Advisory fee		(15,000,000)		(15,000,000)		(15,000,000)		(15,000,000)
Interest Cost LIBOR spillover		(700,000)		(700,000)		(700,000)		(700,000)
Quadria Capital Holdings, LLC		(15,000,000)		(15,000,000)		(15,000,000)		(15,000,000)
Structuring fee[4]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Net gain/(Loss)		(65,704,972)		(123,927,040)		(104,855,692)		(89,397,690)
Annualized return on Sponsor Investment[5]								
Base Case Return		-11.04 %		-11.04 %		-7.46 %		1.29 %
Annualized Return		-24.02 %		-24.02 %		-16.96 %		2.99 %

Notes and Assumptions

1. The collar costs is based on market pricing provided by ISDC
2. Assumes investment is net equal to 5% of annualized
3. Proceeds left forward; premium received (at my rates)
4. Collar expires, assumed to 10 bill expected
5. Annualized return calculations are based on the table of all months, which purchase price, collar premium and structuring fees

Confidential

Quadria Capital Holdings, LLC

Haim Saban

100 Day ARP/100 Collar - At Expiration
Collar and Basket Priced as of 3/18/03

Assumptions

Portfolio Cost Basis	$	1,545,091,430	Pool Put	100.0%	Warrant Subscription Fees	$20,000	Investor Borrowing Rate	4.75%	
Portfolio Trade Price		770,545,570	Call Strike	125.00%	Number of Warrants	1,125	Investor Loan Amount	$ 772,545,860	
Approximate Initial Loan	$	774,545,860	Collar Cost[2]	-7.25%	Interest on Deposit Account	2.01%			
			Days	365					

Current % of Initial Loan -7.97%

Projected Returns

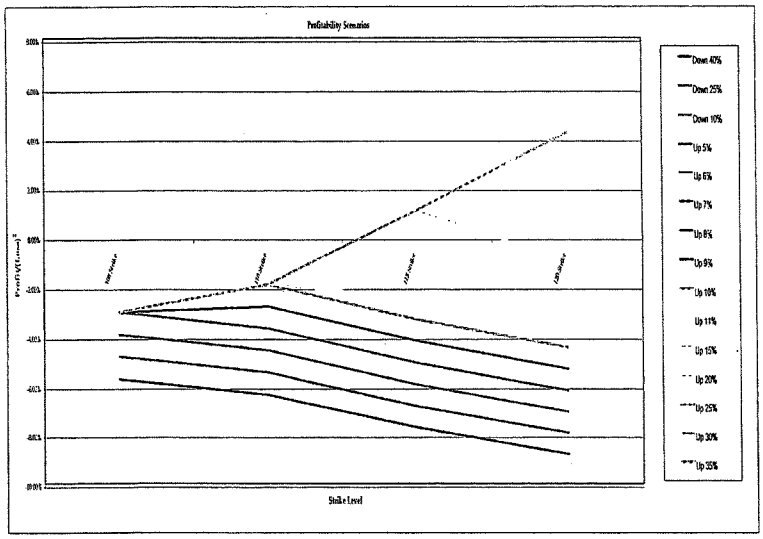
	Projected P&L (Stock Down 25%)[3]		Projected P&L (Stock Flat)[3]		Projected P&L (Stock Up 5%)		Projected P&L (Stock Up 25%)[3]	
Stock risk proceeds	577,273,358		770,545,570		808,573,349		963,181,963	
Portfolio value on 3PC purchase date	577,545,572.35		770,545,570.00		772,545,572.35		772,545,572.35	
Gain/(Loss) on stock		(272,214.35)		-		36,027,776.65		190,636,390.65
Proceeds from 100 Day collar	106,237,128		-		-		-	
Cost of 100 Day collar	(112,237,128)		(112,237,128)		(112,237,128)		(112,237,128)	
Gain/(Loss) on 100 Day collar		(6,000,000)		(112,237,128)		(112,237,128)		(112,237,128)
Warrant proceeds	253,125,000		253,125,000		253,125,000		253,125,000	
Interest on warrant premium ($253.2M)	4,779,112		4,779,112		4,779,112		4,779,112	
Cost of Warrant Fee	(258,125,000)		(253,125,000)		(253,125,000)		(253,125,000)	
Gain/(Loss) on warrant		-		-		-		-
Investment gain/(loss)		(6,272,214)		(112,237,128)		(76,209,352)		78,399,263
Investor financing		(10,295,127)		(10,295,127)		(10,295,127)		(10,295,127)
Attorney's fees		(500,000)		(500,000)		(500,000)		(500,000)
Bryan Cave LLP legal fees		(750,000)		(750,000)		(750,000)		(750,000)
Quellos Custom Strategies, LLC		(75,000,000)		(75,000,000)		(75,000,000)		(75,000,000)
Structuring fee[4]		(7,727,143)		(7,727,143)		(7,727,143)		(7,727,143)
Net gain/(loss)		(101,544,484)		(207,509,398)		(171,481,622)		(15,873,207)
Actual investor net Return, Acct gain[5]								
Pre-tax Return		-12.82%		-21.20%		-8.43%		4.91%
Annualized Return		-24.01%		-39.69%		-15.79%		9.21%

Notes and Assumptions:
1. The collar cost is based on actual pricing provided by PSEC
2. Assumes borrowing base equals 15% of initial loan
3. Portfolio for 25 downside projections is stock (at cost price)
4. Collar is equal to actual, or 25% for exposure
5. Actual investor net returns calculation are based on the total initial equity for this purchase price, collar premium and structuring fee

Haim Saban

210 Day Profitability Scenarios

	Fee Effects																
	Down 40%	Down 25%	Down 10%	Flat	Up 5%	Up 6%	Up 7%	Up 8%	Up 9%	Up 10%	Up 11%	Up 15%	Up 20%	Up 25%	Up 30%	Up 35%	Collar Cost[1]
100 Strike	-10.23%	-10.23%	-10.23%	-10.23%	-5.75%	-4.85%	-3.95%	-3.05%	-3.05%	-3.05%	-3.05%	-3.05%	-3.05%	-3.05%	-3.05%	-3.05%	3.41%
110 Strike	-10.83%	-10.83%	-10.83%	-10.83%	-6.38%	-5.48%	-4.58%	-3.70%	-2.91%	-1.92%	-1.92%	-1.92%	-1.92%	-1.92%	-1.92%	-1.92%	4.16%
115 Strike	-12.13%	-12.13%	-12.13%	-12.13%	-7.72%	-6.86%	-5.98%	-5.10%	-4.22%	-3.34%	-2.46%	1.05%	1.05%	1.05%	1.05%	1.05%	5.81%
120 Strike	-13.16%	-13.16%	-13.16%	-13.16%	-8.42%	-7.55%	-7.08%	-6.21%	-5.34%	-4.47%	-3.61%	-1.02%	4.21%	4.21%	4.21%	4.21%	7.16%



Notes and Assumptions:

1. Collar cost is calculated based on the total purchase price of the basket
2. Returns are based on a 210 Day period (not annualized).

Haim Salvo

210 Day 100/100 Collar - All Expiration
Collar and Basket Pricing as of 7/13/01

Assumptions

Portfolio Cost Basis	$ 1,540,683,450	Portfolio	100.00%	Warrant Solving for Price	252.50	Investor Borrowing Rate	4.75%
Portfolio Style Index	770,340,725	Call Strike	100.00%	Number of Warrants	1,000	Investor Loan Amount	$ 771,340,725
Approximate Asset Loss	$ 770,342,725	Collar Cost[1]	-2.41%	Interest on Deposit Accounts	3.63%		
		Days	210				

Contract % of Initial Loan -42.5%

Projected Operating Results

	Projected FMA (Short Down 25%)[2]	Projected FMA (Down 1 Flat)[3]	Projected FMA (Short Up 25%)	Projected FMA (Down 1 Up 25%)[4]
Stock sale proceeds	577,817,391	770,990,234	963,057,542	963,470,596
Portfolio value on EFP purchase date	(770,340,725)	(770,340,725)	(770,340,725)	(770,340,725)
Gain/(loss) on stock	(192,523,333)	-	192,716,817	193,129,871
Proceeds from 210 Day collar	192,523,333	-	-	-
Cost of 210 Day collar	(11,232,833)	(16,250,250)	(19,233,333)	(17,233,333)
Gain/(loss) on 210 Day collar	181,290,500	(16,250,250)	(19,233,333)	(17,233,333)
Warrant premium	253,000,000	253,000,000	253,000,000	253,000,000
Interest on warrant premium (LIBOR)	1,540,684	1,540,684	1,540,684	1,540,684
Cost of Warrant Put	(254,540,684)	(254,540,684)	(254,540,684)	(254,540,684)
Gain/(loss) on warrant	-	-	-	-
Investment gain/(loss)	(10,249,834)	(32,509,967)	12,844,483	12,589,538
Income tax accrual	(11,537,250)	(11,537,250)	(11,537,250)	(11,537,250)
Attorney's fees	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Bryan Cave LLP legal fees	(750,000)	(750,000)	(750,000)	(750,000)
OneTen Custom Strategies, LLC	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Structuring fee[5]	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)
Program Fees	(49,787,250)	(52,787,250)	(50,237,250)	(50,287,250)
Actual Investment Return Analysis[5]				
Portfolio Return	-10.25%	-14.27%	-5.57%	-5.53%
Annualized Return	-18.77%	-22.21%	-10.21%	-10.13%

Notes and Assumptions:

1. The collar rate is based on actual pricing provided by ETAC
2. Assumes structuring fees equal to 1% of stock flow
3. For these FMA scenarios, no stock is required
4. Call limits upside to stock at 5% (if exercised)
5. Actual investment return calculations are based on the total initial costs (portfolio purchase price, collar premium, and structuring fees)

Hakim Saban

210 Day 100/120 Collar - All Expectation

Collar and Basket Pricing as of 7/13/11

Assumptions

Portfolio Cost Basis	$ 1,343,688,693	Put Strike	100.0%	Warrant Subscription Price	250.00	Investor Borrowing Rate	4.75%
Portfolio Tax Info Fees	770,000,216	Call Strike	120.0%	Number of Warrants	1,000	Investor Loan Amount	$ 770,000,216
Appreciation to Install Loan	$ (570,311,523)	Collar Cost	-4.81%	Interest on Deposit Account	3.01%		
		Days	210				

Current % of Install Loan 5.05 %

Expected Outcomes

	Projected P&L (Base 1: Down 25%)[1]		Projected P&L (Base 1: Flat)[2]		Projected P&L (Base 1: Up 15%)		Projected P&L (Base 1: Up 30%)[3]	
Stock sale proceeds	577,505,391		770,007,204		808,507,565		847,107,565	
Portfolio value on PPF purchase date	(770,045,510)		(770,007,204)		(770,045,510)		(770,045,510)	
Gain/(Loss) on stock		(192,540,120)		-		38,462,054		77,062,054
Proceeds from 100 Day collar	385,307,195		-		-		-	
Cost of 210 Day collar	(61,810,816)		(61,654,850)		(61,654,850)		(61,654,850)	
Gain/(Loss) on 210 Day collar		323,496,379		(61,654,850)		(61,654,850)		(61,654,850)
Warrant proceeds	250,000,054		250,000,054		250,000,054		250,000,054	
Interest on warrant proceeds (LIBOR)	1,562,500		1,562,500		1,562,500		1,562,500	
Cost of Warrant Put	(251,562,500)		(251,562,500)		(251,562,500)		(251,562,500)	
Gain/(Loss) on warrant		-		-		-		-
Investment gain/(loss)		130,955,559		(61,654,850)		6,669,579		64,972,091
Investor fee accrual		(11,250,000)		(11,250,000)		(11,250,000)		(11,250,000)
Accounting fees		(12,500,000)		(12,500,000)		(12,500,000)		(12,500,000)
Expert Cove LLP legal fees		(750,000)		(750,000)		(750,000)		(750,000)
CreditCorp Corporate Services, LLC		(15,000,000)		(15,000,000)		(15,000,000)		(15,000,000)
Structuring fee[4]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Net gain/(loss)		(15,044,441)		(108,654,850)		(40,330,421)		17,971,091
Annual investment return, sale/distribution[5]								
Pre-tax Return		-11.50%		-20.05 %		-4.59 %		4.21 %
After-tax Return		-8.05%		-20.02 %		-11.00 %		3.15 %

Notes and Assumptions:

1. The collar cost is based on actual pricing provided by HSBC
2. Assumes structuring fee equal to 1% of stock sale
3. Excludes full downside protection on the stock appreciation
4. Calculation equals or exceeds the 15% fee expected
5. Annual investment return, sale/distribution are based on the total initial costs (portfolio purchase price, collar premium and structuring fee)

Haim Saban

210 Day RSP/15 Collar - At Expiration
Collar and Basket Pricing as of 7/17/03

Assumptions

Portfolio Cost Basis	$ 1,940,000,000	Portfolio	100.00%	Warrant Subscription Price	250.00	Investor Borrowing Rate	4.75%
Portfolio Trade Price	770,000,000	Call Strike	112.00%	Number of Warrants	1.0X	Investor Loan Amount	$ 775,000,000
Approximate Initial Loss	$ (770,000,000)	Collar Cost[1]	-5.01%	Investor Deposit Amount	20.0%		
		Days	210				

Cost as a % of Initial Loss -5.00%

Projected P&L

	Projected P&L (Gain % Down 20%)[2]		Projected P&L (Gain % Flat)[2]		Projected P&L (Gain % Up 15%)		Projected P&L (Gain % Up 30%)[2]	
Stock sale proceeds	577,513,206		772,000,000		965,573,340		965,573,791	
Portfolio Cost on SBC purchase date	(772,513,206)		(772,000,000)		(772,000,000)		(772,000,000)	
Gain/(loss) on stock		(195,000,000)		-		193,573,340		193,573,791
Proceeds from 210 Day collar	192,513,206	-	-	-	-	-	-	-
Cost of 210 Day collar	(46,710,000)		(46,710,000)		(46,710,000)		(46,710,000)	
Gain/(Loss) on 210 Day collar		145,803,206		(46,710,000)		(46,710,000)		(46,710,000)
Warrant premium	250,000,000		250,000,000		250,000,000		250,000,000	
Interest on warrant premium (LIBOR)	625,000		625,000		625,000		625,000	
Cost of Warrant Put	(250,625,000)		(250,625,000)		(250,625,000)		(250,625,000)	
Gain/(loss) on warrant		-		-		-		-
Investment gain/(loss)		(49,196,794)		(46,710,000)		(46,710,000)		146,863,791
Interest on borrowing		(36,825,000)		(36,825,000)		(36,825,000)		(36,825,000)
Advisory fee		(10,000,000)		(10,000,000)		(10,000,000)		(10,000,000)
Bryan Cave LLP legal fee		(700,000)		(700,000)		(700,000)		(700,000)
Quellos Caruso Holdings, LLC		(10,000,000)		(10,000,000)		(10,000,000)		(10,000,000)
Structuring fee[3]		(7,500,000)		(7,500,000)		(7,500,000)		(7,500,000)
Net gain/(loss)		(114,221,794)		(112,735,000)		(112,735,000)		85,138,791
Actual investment Return, Analyzed[4]								
Investor Return		-11.25%		-11.55%		-11.55%		11.01%
Annualized Return		-21.05%		-21.60%		21.60%		11.01%

Notes and Assumptions

1. The collar cost is based on actual pricing provided by HSBC
2. Assumes investment gain equal to 7% of initial loss
3. Portfolio hedge downside protection as much (or as more)
4. Collar is equivalent to stock in 15 % loss experienced
5. Actual investment return calculations are based on the total initial investor cash (or purchase price, collar premium and structuring fee)

Haim Saban

250 Day $50/$50 Collar - All Expirations
Collar and Basket Pricing as of 7/7/2021

Assumptions

Portfolio Cost Basis	$ 1,549,881,408	Put Strike	100.00%	Warrant Subscription Fees	350,000	Investor Borrowing Rate	4.75%
Portfolio Total Value	770,000,000	Call Strike	125.00%	Number of Warrants	1,526	Investor Loan Amount	$ 772,500,000
Approximate Initial Loss	$ (779,881,408)	Collar Cost[1]	-7.31%	Interest on Deposit Amount	3.01%		
		Days	250				

Cost as a % of Initial Loss -7.50%

Performance Summary

	Projected P&L (Sim 1: Down 25%)[2]	Projected P&L (Sim 1: Flat)[2]	Projected P&L (Sim 1: Up 5%)	Projected P&L (Sim 1: Up 25%)[2]
Stock risk proceeds	577,531,296	770,000,000	808,571,280	962,500,272
Portfolio sales to SPV purchase date	(770,000,000)	(770,000,000)	(770,000,000)	(770,000,000)
Gross/(loss) on stock	(192,537,296)	-	38,571,280	192,500,272
Interest on loans 250 Days collar	192,500,000	-	-	-
Cost of 250 Days collar	(84,854,960)	(84,854,960)	(84,854,960)	(84,854,960)
Gross/(loss) on 250 Days collar	107,645,040	(84,854,960)	(84,854,960)	(84,854,960)
Warrant premium	350,000,000	350,000,000	350,000,000	350,000,000
Interest on warrant premium [LESS PF]	8,910,950	8,910,950	8,910,950	8,910,950
Cost of Warrant Put	(358,910,950)	(358,910,950)	(358,910,950)	(358,910,950)
Gross/(loss) on warrant	-	-	-	-
Investment gain/(loss)	(53,264,921)	(84,854,960)	(46,283,680)	107,645,040
Investor borrowing	(36,937,500)	(36,937,500)	(36,937,500)	(36,937,500)
Attorney's fees	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Ryan Cave LLP legal fees	(500,000)	(500,000)	(500,000)	(500,000)
Quadria Capital Strategies, LLC	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Structuring fee[3]	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)
Net gain/(loss)	(128,202,421)	(161,792,460)	(122,221,180)	32,207,540
Active Investment Return Analysis[4]				
Pre-Tax Return	-16.56%	-10.43%	-7.61%	4.17%
Annualized Return	-42.07%	-26.50%	-19.33%	10.59%

Notes and Assumptions:
1. The collar cost is based on actual pricing provided by MSBC
2. Assumes investment gain loss equals 1% of model fees
3. Pre-collar NAV downside protection is struck [at expiration]
4. Call leverage is set at 1.25x for equities
5. Annualized return on Investor Collateral was based on the total initial equity including purchase price, collar premium and structuring fees

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Quadria Capital Strategies, LLC

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Rajan Puri [rajan.puri@[redacted]
Sent: Tuesday, April 18, 2000 7:53 AM
To: Rajan Puri; 'chrish@[redacted]
Cc: 'chuckw@[redacted]'; John Staddon
Subject: RE: Further Revisions to POINT

Chris / Chuck

I have just spoken to John and understand that you all caught up yesterday...the points in my mail therefore may have already been addressed, or are potentially redundant, given the re-work necessary.

I will get back to you, if necessary, once I have spoken in greater detail with John

Regards
Raj

> -----Original Message-----
> From: Rajan Puri
> Sent: Tuesday, April 18, 2000 12:02 PM
> To: 'chrish[redacted]'
> Cc: 'chuckw[redacted]'; John Staddon
> Subject: Further Revisions to POINT
>
> Chris
>
> Further to the (fairly garbled) voicemail message I left you yesterday, I
> am writing in response to your latest mail to John.
>
> John is currently in New York (I believe he is back in the office tomorrow
> - Weds19th); I spoke to him last night - thoughts/comments as follows:
>
> a) Warrant Document
> i)Term re call provision on the Option should be 9 months instead of 90
> days.
> Fine - rather than send you another draft of the warrant document, it is
> probably easier for you to make the necessary amendment to the last set of
> documents we sent you;.
>
> ii) Associated warrant Price if Call Provision invoked
> John consciously excluded element (b) - ie initial subscription price plus
> 50% of any subsequent appreciation in the price of warrant from issue date
> to call date - from his draft; this is because we believe this is an
> unusual term, which is unecessary given the 'virtual' nature of the
> warrant issue...the last thing we want to do is draw attention to this
> element of the structure, by inserting unusual or non-market standard
> terms into the documents.
>
> If your suggestion re the determination of the warrant price on the call
> date was simply made to ensure symmetry with the terms of the put
> provision, it may be wiser to take the offending clause out of the terms
> of the pur provision as well.
>
>
> b) Creation of Delaware SPV
> Unfortunately, neither EURAM nor our IoM colleagues have the detailed
> knowledge or contacts to set up the necessary Delaware-based SPV; this
> will need to be done either by yourselves, or Woody's tax advisors.
>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 276

[redacted] = Redacted by the Permanent Subcommittee on Investigations

>
> If you would like to discuss any of this, please drop me a mail, or call
> me on 011 44 [redacted]
>
> Regards
> Raj
>

From: Andrew J Robbins
Sent: Monday, April 17, 2000 9:07 AM
To: Chuck Wilk
Cc: Larry Scheinfeld
Subject: RWJIV POINT

Chuck, on Friday I spoke with Joel and Ira and they asked that I provide some more detail as follows:

- A detailed description of the cost to implement
  - purchase money debt
  - prepaid interest
  - transaction fee
- A description of the purchase money loan agreement including maturity, call features, rate, resets etc.
- A description of fixed income deposit and tie to loan
- Any additional out-of-pocket costs

I also spoke with Jeff on Friday and he was suppose to speak directly with Joel regarding the pre-paid interest and the fact that it is not an additional transaction cost but a market driven cost. I know we have gone over this with Joel but he just isn't getting it.

I also put together a revised chart and steps with numbers inserted.

Let me know what you think before I forward anything to them.

Andy.

POINTflow.ppt

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Jeff Greenstein
Sent: Thursday, May 18, 2000 8:36 PM
To: Larry Scheinfeld; Chuck Wilk
Subject: FW:

I believe we have a problem brewing. Obviously we need to make sure this doesn't happen again. One thing, Joel and Woody complete get it!

-----Original Message-----
From: Jeff Greenstein
Sent: Thursday, May 18, 2000 6:34 PM
To: [redacted]
Subject: RE:

[redacted] I am not sure as to whether you are in the states or not, but feel free to call me on my cellphone later this evening at (206) 5[redacted] Otherwise hopefully we can speak in the morning. If not, I will compile an e-mail in the morning to address your points as I don't want you to be miserable or feel that you were misled. Obviously I am also concerned if you question our investment integrity because nothing is more important to us. Please keep in mind that given there are tax issues associated with the transaction the tax lawyers are very concerned about correspondence. I am sure you can appreciate this. I hope we have the opportunity to resolve everything tomorrow. best regards, Jeff

-----Original Message-----
From: Jeff Greenstein
Sent: Thursday, May 18, 2000 5:27 PM
To: [redacted]
Subject: RE:

[redacted]

If you have a minute can you call me on my direct line (206) 613-6750. I would rather have a discussion over the phone instead of putting it in writing. thanks, jeff

-----Original Message-----
From: [redacted]
Sent: Thursday, May 18, 2000 5:05 PM
To: 'Jeff Greenstein'
Subject:

Dear Jeff,

For two years now I have studiously averted the overhyped NASDAQ. My disdain for those stocks must have been obvious from my lack of interest in choosing the ones which went into our portfolio. I had no idea that your structure was a speculation on the NASDAQ and had I known I would have never entered into it. I cannot understand how you in all good conscience could even suggest such a thing after April's carnage. It really makes me question Quadra's judgement and worry about the other money I have with you. I have been absolutely miserable for the past two weeks as a result of this partnership. I want you to draw up a very clear schedule which explains how the puts lose value as they get closer to expiry so that we don't just sit there like slugs waiting for some miracle which would have no logical basis to occur. I feel I was mislead by you and you need to figure out a way of getting me out of this. Every day we get closer to expiry. I have never been afraid of risk when there is a logic for it, and an upside but there is none here, and we have no control.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 278

To : Andy Robbins, Quadra

Fax Number: 212-849-8181

Date : 24 April, 2000

From : Joel Latman

THE JOHNSON COMPANY, INC.
630 Fifth Avenue, Suite 1510
New York, New York 10111
Telephone: 212/332-7500
Fax : 212/332-7510

Message :

Andy: Attached are resolutions indicating the officers of Woodglen I LLC and Woodglen I, Inc; also the Certificate of Formation for Woodglen I LLC; I have requested a copy of the Woodglen I, Inc. Formation Document from Proskauer Rose. The amount of Loss that we can use should be $145.

Total Number of Pages 9
(Including this cover sheet)

From: Chuck Wilk
Sent: Tuesday, April 25, 2000 10:12 AM
To: Christopher Hirata
Subject: FW: RWJIV

-----Original Message-----
From: Andrew J Robbins
Sent: Monday, April 24, 2000 12:28 PM
To: Chuck Wilk
Cc: Jeff Greenstein; Larry Scheinfeld
Subject: RWJIV

I received documentation from Joel regarding the Woodglen I LLC POINT trade. The number they want is $145.0. The managing member of Woodglen I LLC is Woodglen I, Inc. Pursuant to the "Consent of Sole Director" (RWJIV) executed January 31, 2000 in addition to RWJIV as President both Neil J. Bumeister and Joel Latman are each authorized to act singly as signatories for Woodglen I, Inc. In addition to the consents Joel provided to me a copy of the Certificate of Formation of Woogien I LLC and accompanying authentication from Delaware and "Consent of Managing Member" related to appointment of officers.

AS NOTED THIS 1st DAY OF April, 2000

ASST REGISTRAR OF COMPANIES
CAYMAN ISLANDS

THE COMPANIES LAW (1998 REVISION)
COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

REKA LIMITED

I hereby certify this to be a true copy of the original this 14 day of April 2000

CSS Corporation Ltd.
Secretary / Asst. Secretary

1. The name of the Company shall be Reka Limited.

2. The Registered Office of the Company shall be at the offices of Citco Trustees (Cayman) Limited situated at Leeward One Building, Corporate Centre, West Bay Road, P.O. Box 31106 SMB, Grand Cayman, Cayman Islands, British West Indies or at such other place as the Directors may from time to time decide.

3. Except as prohibited or limited by the Companies Law (1998 Revision), the Company shall have full power and authority to carry out any and all objects permitted by law and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing so in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of any of its objects and whatever else may be considered by it as incidental or conducive thereto or consequential thereon, including, but without in any way restricting the generality of the foregoing, the power to make any alterations or amendments to this Memorandum of Association and the Articles of Association considered necessary or convenient in the manner set out in the Articles of Association of the Company.

4. The liability of each member is limited to the amount from time to time unpaid on such Member's shares.

5. The share capital of the Company is US$50,000.00 divided into 50,000 ordinary voting shares of a nominal or par value of US$1.00 each with power for the Company, insofar as is permitted by law and the Articles of Association, to redeem or purchase any of its shares and to increase or reduce the said capital (subject to the provisions of the Companies Law (1998 Revision) and the Articles of Association) and to issue any part of its capital (whether original, redeemed or increased) with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that (unless the conditions of issue shall otherwise expressly declare) every issue of shares (whether declared to be a preference or otherwise) shall be subject to the powers above-mentioned.

6. The Company's operations will be carried on subject to the provisions of Section 192 of the Companies Law (1998 Revision) and (subject to the provisions of the Companies Law (1998 Revision) and the Articles of Association) it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be de-registered in the Cayman Islands.

REGISTRAR OF COMPANIES
EXEMPTED
CAYMAN ISLANDS

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 281

PSI-QUEL 27162

We, the undersigned whose name and address is subscribed below wishes to be formed into a company in pursuance of this Memorandum of Association and the Company Law, respectively agree to take the number of share(s) in the capital of the Company set opposite our respective names below.

DATED this 11th day of April, 2000.

SIGNATURE, ADDRESS AND DESCRIPTION OF SUBSCRIBER	NUMBER OF SHARES TAKEN BY SUBSCRIBER
CTC Corporation Ltd., a Cayman Islands Company P.O. Box 31106 Seven Mile Beach Windward One Building, Corporate Center Safehaven, West Bay Road, Grand Cayman By: And: Roy Cairns	ONE

Witness to the above signatures
Corporate Centre, Windward One
Grand Cayman, Cayman Islands

I ANTHONY IAN GODDARD Asst. , Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true and correct copy of the Memorandum of Association of this Company duly incorporated on the 11 day of April, 2000.

Registrar of Companies

CONTRIBUTION AGREEMENT

THIS AGREEMENT is made on this 5th day of May 2000

BETWEEN:

(1) Reka Limited, a Cayman Islands company (the "Company"); and

(2) Barnville Limited, an Isle of Man company (the "Contributor"); and

WHEREAS:

(A) The Contributor wishes to contribute the Portfolio Shares to the Company.

(B) The Contributor has lent the Portfolio Shares to a third party (the "Borrower") under a transaction (the "Stock Loan") that provides for, among other things, the redelivery of the Portfolio Shares (as defined below) by the Borrower to the Contributor upon written demand to that effect.

(C) The Company is willing to accept a contribution to it of the Portfolio Shares subject to the terms of Stock Loan and, in exchange for such contribution, the Company will issue to the Contributor the Ordinary Shares (as defined below).

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Contribution Date" means 5 May 2000.

"Ordinary Shares" means the ordinary shares issued by the Company pursuant to Clause 3 of this Agreement.

"Portfolio Shares" means each of the shares specified in the Appendix hereto.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Contribution

On the Contribution Date, the Contributor shall assign, transfer and novate to the Company all of the Contributor's rights and obligations with respect to the

Portfolio Shares under the Stock Loan, and procure that the Borrower accept such assignment transfer and novation.

3. Consideration

In consideration for the contribution of the Portfolio Shares in accordance with the foregoing, the Company shall issue to the Contributor one thousand (1000) ordinary shares of the Company on the Contribution Date.

4. Contributor Warranties

The Contributor hereby warrants and undertakes to the Company on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Portfolio Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from contributing the Portfolio Shares in accordance with this Agreement or from otherwise performing its obligations hereunder.

5. Company Warranties

The Company hereby warrants and undertakes to the Contributor on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Portfolio Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from issuing the Ordinary Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

6. Counterparts

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

7. Governing Law and Jurisdiction

This Agreement entered into pursuant to this Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Company and by the Contributor on the date first written above.

For and on behalf of
Barnville Limited

Name: A NICHOLSON
Title: DIRECTOR
Date: 08 - 05 - 2000

For and on behalf of
Reka Limited

Name: Judith Patrick
Title: CTC Corporation Ltd - Director
Date: May 17, 2000

Appendix

The Portfolio Shares

Stock Ticker	Company	No of Shares
VRSN	Verisign, Inc.	100,000
CNXT	Conextent Systems, Inc.	125,000
CMGI	CMGI, Inc.	250,000
ICGE	Internet Capital Group, Inc.	215,000
CMRC	Commerce One, Inc.	230,000
YHOO	Yahoo! Inc.	100,000
CTXS	Citrix Systems, Inc.	300,000
ATHM	Excite @Home	450,000
DCLK	DoubleClick Inc.	200,000

[redacted] = Redacted by the Permanent Subcommittee on Investigations

8/11/00 phone

Joel Latman Chris M. Hirata

Confirmed following ownership: Sidehill LLC - 99.9% [redacted] and 0.1% Sidehill I, LLC. Sidehill, Inc. - 100% R. Wood Johnson IV. Woodglen I LLC - 99.9% R. Wood Johnson IV and 0.1% Woodglen I, Inc. Woodglen I, Inc. - 100% R. Wood Johnson, IV.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 283

PURCHASE AGREEMENT

THIS AGREEMENT is made on 5th day of May 2000

BETWEEN:

(1) Woodglen I, LLC (the "Purchaser"); and

(2) Barnville Limited whose registered office is at 19 Mount Havelock, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

(A) The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

(B) The Purchaser is willing to grant to the Vendor security over the Purchase Shares as assurance for the payment of the Purchase Price (as defined below) on the terms also set out in this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Company" means Reka Limited, a Cayman Islands company

"Contribution Agreement" means the Contribution Agreement entered into between the Vendor and the Company on today's date.

"Final Interest Amount" means, subject to the provisions of clause 5.2, an amount equal to the Purchase Price (as defined in clause 3 below) multiplied by (i) 3.00% and then (ii) a fraction the denominator of which is 360 and the numerator of which is the number of days in the period from the Purchase Date to the Purchase Price Payment Date (both dates inclusive).

"Options" means the put option and call option entered into on the same date hereof between Barnville Limited (an Isle of Man company) and the Company.

"Prepaid Interest Amount" means US$3,466,248 representing an amount by way of interest, fees and structuring costs payable by the Purchaser to the Vendor.

"Promissory Note" means the promissory note issued by the Vendor to the Company pursuant to the terms of the Contribution Agreement.

"Purchase Date" means 5 May 2000.

"Purchase Price Payment Date" means with respect to payment of the Purchase Price (or any part thereof), the earlier of the Unwind Date or 17 August 2000 (the "Provisional Payment Date") or such later date as the Purchaser elects to pay all or part of the Purchase Price in accordance with clause 5.2 of this Agreement.

"Purchase Shares" means 1,000 ordinary shares of Reka Limited, a Cayman Islands company (the "Company").

"Unwind Date" means the date upon which the Options are terminated early by the parties thereto.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Purchase Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be US$103,838,510 (the "Purchase Price") and shall be payable by the Purchaser to the Vendor in accordance with clause 5.2 below.

4. Interest on Purchase Price

By way of interest on the Purchase Price for the period from the Purchase Date to the Purchase Price Payment Date (both dates inclusive), the Purchaser shall pay to the Vendor:

(a) on the Purchase Date, an amount equal to the Prepaid Interest Amount; and

(b) on the Purchase Price Payment Date, an amount equal to the Final Interest Amount

in each case free of any withholding or deduction for or on account of tax.

5. Settlement

5.1 On the Purchase Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee.

5.2 The Purchaser shall pay to the Vendor the Purchase Price for value on the Provisional Payment Date, provided that the Purchaser shall be entitled (subject always to the Purchaser not being subject at the relevant time to any insolvency, bankruptcy or

similar proceeding) to continue to defer the payment of all or part of the Purchase Price until such future date or dates as the Purchaser shall in its discretion determine, but in any event to be no later than 2 May 2035. If the Purchaser elects to defer part of its Purchase Price payment obligation in accordance with the foregoing, then the Final Interest Amount shall be payable in corresponding parts and shall be determined with respect to each part payment according to that proportion of the Purchase Price represented by the relevant payment.

5.3 Payment by the Purchaser of the Purchase Price (or part thereof) and the Final Interest Amount on the applicable Purchase Price Payment Date shall be discharged by the set-off of an equivalent amount against the payment obligation of the Vendor under the Promissory Note.

6. Pledge

6.1 Upon the transfer of the Purchase Shares to the Purchaser pursuant to clause 5.1 above, the Purchaser hereby pledges and assigns to the Vendor, and grants to the Vendor a security interest in and to, all of the Purchaser's right, title and interest in and to, the Purchase Shares (the "Pledged Collateral") and all proceeds of any and all of the foregoing Pledged Collateral (except any distributions (whether in cash or otherwise) made with respect to the foregoing Pledged Collateral, which shall be transmitted promptly to the Purchaser).

6.2 Such pledge, assignment and security interest secures the payment of all obligations of the Purchaser now or hereafter existing under this Agreement, whether direct or indirect, absolute or contingent (all such obligations being the "Secured Obligations").

6.3 All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by the Vendor pursuant hereto and shall be in suitable form for transfer by delivery, and shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Vendor.

6.4 If in the event that the Purchaser shall default in performing any of the Secured Obligations (an "Event of Default") and such Event of Default shall be continuing for a period of more than 10 days after the date on which the Vendor notifies the Purchaser of such Event of Default:

(a) The Vendor may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the New York UCC as well as exercise its remedies under all applicable law, and the Vendor may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Vendor's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Vendor may deem commercially reasonable.

(b) Any cash held by the Vendor as Pledged Collateral and all cash proceeds received by the Vendor in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of

the Vendor, be held by the Vendor as collateral for, and/or then or at any time thereafter applied in whole or in part by the Vendor against, all or any part of the Secured Obligations in such order as the Vendor shall elect. Any surplus of such cash or cash proceeds held by the Vendor and remaining after payment in full of all the Secured Obligations shall be paid over to the Purchaser or to whomsoever may be lawfully entitled to receive such surplus.

(c) If the Vendor shall determine to exercise its rights to sell all or any of the Pledged Collateral pursuant to this Section, the Purchaser agrees that, upon request of the Vendor, the Purchaser will, at its own expense do or cause to be done all such acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

6.5 This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until payment in full in cash of the Secured Obligations, (b) be binding upon the Purchaser, its successors and assigns, and (c) inure to the benefit of the Vendor and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Vendor may, after notifying the Purchaser, assign or otherwise transfer all or any portion of its rights and obligations under the Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Vendor herein.

6.5 On the date on which all Secured Obligations have been paid in full in cash, the Vendor will execute and deliver to the Purchaser a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to or at the direction of the Purchaser (without recourse and without any representation or warranty) such of the Pledged Collateral as may remain in the possession of the Vendor together with any monies at the time held by the Vendor hereunder.

6.6 If at any time the Purchaser wishes to cause the Company to undertake any action that would result in the Company either acquiring or disposing of any assets or incurring or discharging any liabilities, then for so long as the Promissory Note is outstanding the Purchaser may only seek to cause such action with the prior written consent of the Vendor (such consent not to be unreasonably withheld).

7. Vendor Warranties

The Vendor hereby warrants and undertakes to the Purchaser on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) the Vendor is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(B) the Company has been formed for the sole purpose of holding a portfolio of securities (the "Portfolio") and providing structured investments linked to the Portfolio and has engaged in no other business or activity since its formation;

(C) the execution, delivery and performance by the Vendor of this Agreement is within the corporate powers of the Vendor and this Agreement has been duly authorised, executed and delivered by the Vendor;

(D) this Agreement constitutes a valid and binding agreement of the Vendor;

(E) the execution, delivery and performance of this Agreement by the Vendor requires no action by or in respect of, or filing with, any governmental body, agency or official;

(F) the execution, delivery and performance of this Agreement by the Vendor does not and will not (i) violate the articles of association of the Vendor (ii) violate any applicable law, rule, judgement, injunction order or decree (iii) require any consent or other action by any person and (iv) constitute a default under any agreement or instrument binding on the Vendor;

(G) there is no action, suit or proceeding pending against, or to the knowledge of the Vendor threatened against or affecting the Vendor or any of its properties before any court or arbitrator or any governmental body, agency or official;

(H) the Vendor is not in violation of its articles of association or memorandum of association or in violation of or in default under any provision of applicable law or regulation or of any agreement, judgement, injunction, order, decree or other instrument binding on it, which violation or default (i) would affect the validity of this Agreement or (ii) would impair the ability of the Vendor to perform in any material respect the obligations which it has under this Agreement;

(I) the Purchase Shares are beneficially owned by the Vendor and are free of any security interest, lien or other encumbrance;

(J) the Purchase Shares represent the entire ownership of the Vendor in the Company and, but for one ordinary share of the Company purchased or to be purchased by Woodglen I, Inc., there are no other shares outstanding in the Company; and

(K) that the Portfolio (as defined in (B) above) is free of any security interests and is unencumbered other than being subject to certain stock loan transactions as specified in the Contribution Agreement (provided that the Vendor makes no other warranty or representation, whether express or implied, as regards the nature or provenance of the securities comprised in the Portfolio).

8. Purchaser Warranties

The Purchaser hereby warrants and undertakes to the Vendor on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from purchasing the Purchase Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement.

9. Transfer of Payment Obligation

The Vendor hereby undertakes to consent any future transfer by the Purchaser of its obligation hereunder to pay the Purchase Price (or any remaining part thereof) to a subsidiary or affiliate of the Purchaser (but to no other person).

10. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Limited

Name: A NICHOLSON
Title: DIRECTOR
Date: 5th May 2000

Woodglen I, LLC

Name:
Title: DIRECTORS
Date: 5-5-00

AMENDED AND RESTATED PURCHASE AGREEMENT

THIS AMENDED AND RESTATED PURCHASE AGREEMENT is made on the 30th day of November 2000, which reflects amendments to, and a restatement of, the original Purchase Agreement signed by the parties on the 5th day of May 2000.

BETWEEN:

(1) Woodglen I LLC (the "Purchaser"); and

(2) Barnville Limited whose registered office is at 19 Mount Havelock, Douglas, Isle of Man (the "Vendor"); and

WHEREAS:

(A) The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

(B) The Purchaser is willing to grant to the Vendor security over the Purchase Shares as assurance for the payment of the Purchase Price (as defined below) on the terms also set out in this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Company" means Reka Limited, a Cayman Islands company

"Contribution Agreement" means the Contribution Agreement entered into between the Vendor and the Company on today's date.

"Annual Interest Amount" means, subject to the provisions of clause 5.2, an amount equal to the Purchase Price (as defined in clause 3 below) multiplied by 3.00% and payable annually on 31 December on the basis of the actual number of days elapsed and a 360 day year.

"Options" means the put option and call option entered into on the same date hereof between Barnville Limited (an Isle of Man company) and the Company.

"Prepaid Interest Amount" means US$3,466,248 representing an amount by way of interest, fees and structuring costs payable by the Purchaser to the Vendor.

"Promissory Note" means the promissory note issued by the Vendor to the Company pursuant to the terms of the Contribution Agreement.

"Purchase Date" means 5 May 2000.

"Purchase Price Payment Date" means with respect to payment of the Purchase Price (or any part thereof), the earlier of the Unwind Date or 17 August 2000 (the "Provisional Payment Date") or such later date as the Purchaser elects to pay all or part of the Purchase Price in accordance with clause 5.2 of this Agreement.

"Purchase Shares" means 1,000 ordinary shares of Reka Limited, a Cayman Islands company (the "Company").

"Unwind Date" means the date upon which the Options are terminated early by the parties thereto.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Purchase Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be US$103,838,510 (the "Purchase Price") and shall be payable by the Purchaser to the Vendor in accordance with clause 5.2 below.

4. Interest on Purchase Price

By way of interest on the Purchase Price for the period from the Purchase Date to the Purchase Price Payment Date (both dates inclusive), the Purchaser shall pay to the Vendor:

(a) on the Purchase Date, an amount equal to the Prepaid Interest Amount; and

(b) the Annual Interest Amount

in each case free of any withholding or deduction for or on account of tax.

5. Settlement

5.1 On the Purchase Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee.

5.2 The Purchaser shall pay to the Vendor the Purchase Price for value on the Provisional Payment Date, provided that the Purchaser shall be entitled (subject always to the

Purchaser not being subject at the relevant time to any insolvency, bankruptcy or similar proceeding) to continue to defer the payment of all or part of the Purchase Price until such future date or dates as the Purchaser shall in its discretion determine, but in any event to be no later than 2 May 2035. If the Purchaser elects to defer part of its Purchase Price payment obligation in accordance with the foregoing, then the Annual Interest Amount shall be payable in corresponding parts and shall be determined with respect to each part payment according to that proportion of the Purchase Price represented by the relevant payment.

5.3 Payment by the Purchaser of the Purchase Price (or part thereof) and the Annual Interest Amount on the applicable Purchase Price Payment Date shall be discharged by the set-off of an equivalent amount against the payment obligation of the Vendor under the Promissory Note.

6. Pledge

6.1 Upon the transfer of the Purchase Shares to the Purchaser pursuant to clause 5.1 above, the Purchaser hereby pledges and assigns to the Vendor, and grants to the Vendor a security interest in and to, all of the Purchaser's right, title and interest in and to, the Purchase Shares (the "Pledged Collateral") and all proceeds of any and all of the foregoing Pledged Collateral (except any distributions (whether in cash or otherwise) made with respect to the foregoing Pledged Collateral, which shall be transmitted promptly to the Purchaser).

6.2 Such pledge, assignment and security interest secures the payment of all obligations of the Purchaser now or hereafter existing under this Agreement, whether direct or indirect, absolute or contingent (all such obligations being the "Secured Obligations").

6.3 All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by the Vendor pursuant hereto and shall be in suitable form for transfer by delivery, and shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Vendor.

6.4 If in the event that the Purchaser shall default in performing any of the Secured Obligations (an "Event of Default") and such Event of Default shall be continuing for a period of more than 10 days after the date on which the Vendor notifies the Purchaser of such Event of Default:

(a) The Vendor may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the New York UCC as well as exercise its remedies under all applicable law, and the Vendor may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Vendor's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Vendor may deem commercially reasonable.

(b) Any cash held by the Vendor as Pledged Collateral and all cash proceeds received by the Vendor in respect of any sale of, collection from, or other

realization upon all or any part of the Pledged Collateral may, in the discretion of the Vendor, be held by the Vendor as collateral for, and/or then or at any time thereafter applied in whole or in part by the Vendor against, all or any part of the Secured Obligations in such order as the Vendor shall elect. Any surplus of such cash or cash proceeds held by the Vendor and remaining after payment in full of all the Secured Obligations shall be paid over to the Purchaser or to whomsoever may be lawfully entitled to receive such surplus.

(c) If the Vendor shall determine to exercise its rights to sell all or any of the Pledged Collateral pursuant to this Section, the Purchaser agrees that, upon request of the Vendor, the Purchaser will, at its own expense do or cause to be done all such acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

6.5 This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until payment in full in cash of the Secured Obligations, (b) be binding upon the Purchaser, its successors and assigns, and (c) inure to the benefit of the Vendor and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Vendor may, after notifying the Purchaser, assign or otherwise transfer all or any portion of its rights and obligations under the Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Vendor herein.

6.6 On the date on which all Secured Obligations have been paid in full in cash, the Vendor will execute and deliver to the Purchaser a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to or at the direction of the Purchaser (without recourse and without any representation or warranty) such of the Pledged Collateral as may remain in the possession of the Vendor together with any monies at the time held by the Vendor hereunder.

6.7 If at any time the Purchaser wishes to cause the Company to undertake any action after the purchase date that would result in the Company either acquiring or disposing of any assets or incurring or discharging any liabilities and such action would result in the net asset value of the Company being less than the total cash amount owed by the Purchaser to the Vendor under the Purchase Agreement, then for so long as any Secured Obligations is or are outstanding, the Purchaser may only seek to cause such action with the prior written consent of the Vendor (such consent not to be unreasonably withheld)..

7. Vendor Warranties

The Vendor hereby warrants and undertakes to the Purchaser on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) the Vendor is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(B) the Company has been formed for the sole purpose of holding a portfolio of securities (the "Portfolio") and providing structured investments linked to the Portfolio and has engaged in no other business or activity since its formation;

(C) the execution, delivery and performance by the Vendor of this Agreement is within the corporate powers of the Vendor and this Agreement has been duly authorised, executed and delivered by the Vendor;

(D) this Agreement constitutes a valid and binding agreement of the Vendor;

(E) the execution, delivery and performance of this Agreement by the Vendor requires no action by or in respect of, or filing with, any governmental body, agency or official;

(F) the execution, delivery and performance of this Agreement by the Vendor does not and will not (i) violate the articles of association of the Vendor (ii) violate any applicable law, rule, judgement, injunction order or decree (iii) require any consent or other action by any person and (iv) constitute a default under any agreement or instrument binding on the Vendor;

(G) there is no action, suit or proceeding pending against, or to the knowledge of the Vendor threatened against or affecting the Vendor or any of its properties before any court or arbitrator or any governmental body, agency or official;

(H) the Vendor is not in violation of its articles of association or memorandum of association or in violation of or in default under any provision of applicable law or regulation or of any agreement, judgement, injunction, order, decree or other instrument binding on it, which violation or default (i) would affect the validity of this Agreement or (ii) would impair the ability of the Vendor to perform in any material respect the obligations which it has under this Agreement;

(I) the Purchase Shares are beneficially owned by the Vendor and are free of any security interest, lien or other encumbrance;

(J) the Purchase Shares represent the entire ownership of the Vendor in the Company and, but for one ordinary share of the Company purchased or to be purchased by Woodglen I, Inc., there are no other shares outstanding in the Company; and

(K) that the Portfolio (as defined in (B) above) is free of any security interests and is unencumbered other than being subject to certain stock loan transactions as specified in the Contribution Agreement (provided that the Vendor makes no other warranty or representation, whether express or implied, as regards the nature or provenance of the securities comprised in the Portfolio).

8. Purchaser Warranties

The Purchaser hereby warrants and undertakes to the Vendor on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from purchasing the Purchase Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement.

9. **Transfer of Payment Obligation**

The Vendor hereby undertakes to consent any future transfer by the Purchaser of its obligation hereunder to pay the Purchase Price (or any remaining part thereof) to a subsidiary or affiliate of the Purchaser (but to no other person).

10. **Governing Law and Jurisdiction**

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Limited

Name: ANICHOLSON
Title: DIRECTOR
Date:

Woodgien I LLC

Name:
Title:
Date:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from purchasing the Purchase Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement.

9. Transfer of Payment Obligation

The Vendor hereby undertakes to consent any future transfer by the Purchaser of its obligation hereunder to pay the Purchase Price (or any remaining part thereof) to a subsidiary or affiliate of the Purchaser (but to no other person).

10. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Barnville Limited

Name:
Title:
Date:

Woodglen LLC

Name: Joel Latman
Title: Treasurer
Date: 30 November 2010

AMENDMENT AGREEMENT

THIS AGREEMENT is made on November 30th 2000

BETWEEN:

(1) Woodglen I LLC whose registered office is at 630 5th Avenue, Suite 1510, New York, NY10111 (the "Purchaser"); and

(2) Barnville Limited whose registered office is at 19 Mount Havelock, Douglas, Isle of Man (the "Vendor").

WHEREAS:

(A) The parties entered into the Purchase Agreement (as defined below).

(B) The parties now wish to amend certain provisions of the Purchase Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Effective Date" means 5 May 2000.

"Purchase Agreement" means the agreement between the Purchaser and the Vendor dated 5 May 2000 relating to the purchase of shares in Reka Limited, a Cayman Islands company.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Amendment of Final Interest Amount

2.1 The definition of "Final Interest Amount" in clause 1 of the Purchase Agreement shall be deleted and replaced with the following:

"**"Annual Interest Amount"** means, subject to the provisions of clause 5.2, an amount equal to the Purchase Price (as defined in clause 3 below) multiplied by 3.00% and payable annually on 31 December on the basis of the actual number of days elapsed and a 360 day year."

2.2 The following in clause 4 of the Purchase Agreement, "(b) on the Purchase Price Payment Date, an amount equal to the Final Interest Amount" shall be deleted and replaced with "(b) the Annual Interest Amount".

2.3 References to "Final Interest Amount" in clauses 5.2 and 5.3 of the Purchase Agreement shall be deleted and replaced with "Annual Interest Amount".

3. New Clause 6.7

The following shall be inserted into the Purchase Agreement, creating a new Clause 6.7:

"6.7 If at any time the Purchaser wishes to cause the Company to undertake any action that would result in the Company either acquiring or disposing of any assets or incurring or discharging any liabilities and such action would result in the net asset value of the Company being less than the total cash amount owed by the Purchaser to the Vendor under the Purchase Agreement, then for so long as any Secured Obligations is or are outstanding, the Purchaser may only seek to cause such action with the prior written consent of the Vendor (such consent not to be unreasonably withheld)."

4. Effective Date of Amendments and Restatement

All the amendments contained in this Agreement will be effective from the Effective Date and, for the avoidance of doubt, all the provisions of the Purchase Agreement other than those referred to herein shall remain unchanged and continue to be fully in force.

5. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Cayman Islands.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Woodglen I LLC

Name:
Title:

For and on behalf of
Barnville Limited

Name:
Title:

PURCHASE AGREEMENT

THIS AGREEMENT is made on 5th day of May 2000

BETWEEN:

(1) Woodglen I, Inc. (the "Purchaser"); and

(2) European American Corporate Services Limited whose registered office is at Walmar House 288-292 Regent Street, London W1R 5HF (the "Vendor").

WHEREAS:

(A) The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

(B) The Purchaser is willing to grant to the Vendor security over the Purchase Shares as assurance for the payment of the Purchase Price (as defined below) on the terms also set out in this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Company" means Reka Limited, a Cayman Islands company.

"Final Interest Amount" means, subject to the provisions of clause 5.2, an amount equal to the Purchase Price (as defined in clause 3 below) multiplied by (i) 3.00% and then (ii) a fraction the denominator of which is 360 and the numerator of which is the number of days in the period from the Purchase Date to the Purchase Price Payment Date (both dates inclusive).

"Options" means the put option and call option entered into on the same date hereof between Barnville Limited (an Isle of Man company) and the Company.

"Prepaid Interest Amount" means US$3,470, representing an amount by way of interest, fees and structuring costs payable by the Purchaser to the Vendor.

"Purchase Date" means 5 May 2000.

"Purchase Price Payment Date" means with respect to payment of the Purchase Price (or any part thereof), the earlier of the Unwind Date or 17 August 2000 (the

"Provisional Payment Date") or such later date as the Purchaser elects to pay all or part of the Purchase Price in accordance with clause 5.2 of this Agreement.

"Purchase Shares" means 1 ordinary share of the Company.

"Unwind Date" means the date upon which the Options are terminated early by the parties thereto.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Purchase Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD 103,942 (the "Purchase Price") and shall be payable by the Purchaser to the Vendor for value on the Purchase Price Payment Date.

4. Interest on Purchase Price

By way of interest on the Purchase Price for the period from the Purchase Date to the Purchase Price Payment Date (both dates inclusive), the Purchaser shall pay to the Vendor:

(a) on the Purchase Date an amount equal to the Prepaid Interest Amount; and

(b) on the Purchase Price Payment Date an amount equal to the Final Interest Amount

in each case free of any withholding or deduction for or on account of tax.

5. Settlement

5.1 On the Purchase Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee.

5.2 The Purchaser shall pay to the Vendor the Purchase Price for value on the Provisional Payment Date, provided that the Purchaser shall be entitled (subject always to the Purchaser not being subject at the relevant time to any insolvency, bankruptcy or similar proceeding) to continue to defer the payment of all or part of the Purchase Price until such future date or, in the case of instalment payments, dates, such date or dates to be determined at the Purchaser's discretion but in any event to be no later

than 2 May 2035. If the Purchaser elects to defer part of its Purchase Price payment obligation in accordance with the foregoing, then the Final Interest Amount shall be payable in parts and shall be determined with respect to each part payment according to that proportion of the Purchase Price represented by the relevant payment. In lieu of payment by the Purchaser of the Purchase Price (or part thereof) and the Final Interest Amount on the applicable Purchase Price Payment Date, the parties agree that the Vendor may effect a full or partial discharge (as the case may be) of such obligation through the set-off by the Vendor against any payment obligation of the Vendor owed to an affiliate or subsidiary of the Purchaser ("Affiliate") and which is or remains due and payable on the Purchase Price Payment Date. To the extent that the Vendor is able to effect such set-off and the relevant Affiliate consents to such treatment of its claim by the Vendor (which the Purchaser hereby undertakes to procure), then the payment obligation of the Purchaser to the Vendor hereunder shall be discharged accordingly.

6. Pledge

6.1 Upon the transfer of the Purchase Shares to the Purchaser pursuant to clause 5.1 above, the Purchaser hereby pledges and assigns to the Vendor, and grants to the Vendor a security interest in and to, all of the Purchaser's right, title and interest in and to, the Purchase Shares (the "Pledged Collateral") and all proceeds of any and all of the foregoing Pledged Collateral (except any distributions (whether in cash or otherwise) made with respect to the foregoing Pledged Collateral, which shall be transmitted promptly to the Purchaser).

6.2 Such pledge, assignment and security interest secures the payment of all obligations of the Purchaser now or hereafter existing under this Agreement, whether direct or indirect, absolute or contingent (all such obligations being the "Secured Obligations").

6.3 All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by the Vendor pursuant hereto and shall be in suitable form for transfer by delivery, and shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Vendor.

6.4 If in the event that the Purchaser shall default in performing any of the Secured Obligations (an "Event of Default") and such Event of Default shall be continuing for a period of more than 10 days after the date on which the Vendor notifies the Purchaser of such Event of Default:

(a) The Vendor may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the New York UCC as well as exercise its remedies under all applicable law, and the Vendor may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Vendor's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Vendor may deem commercially reasonable.

(b) Any cash held by the Vendor as Pledged Collateral and all cash proceeds received by the Vendor in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Vendor, be held by the Vendor as collateral for, and/or then or at any time thereafter applied in whole or in part by the Vendor against, all or any part of the Secured Obligations in such order as the Vendor shall elect. Any surplus of such cash or cash proceeds held by the Vendor and remaining after payment in full of all the Secured Obligations shall be paid over to the Purchaser or to whomsoever may be lawfully entitled to receive such surplus.

(c) If the Vendor shall determine to exercise its rights to sell all or any of the Pledged Collateral pursuant to this Section, the Purchaser agrees that, upon request of the Vendor, the Purchaser will, at its own expense do or cause to be done all such acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

6.5 This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until payment in full in cash of the Secured Obligations, (b) be binding upon the Purchaser, its successors and assigns, and (c) inure to the benefit of the Vendor and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Vendor may, after notifying the Purchaser, assign or otherwise transfer all or any portion of its rights and obligations under the Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Vendor herein.

6.6 On the date on which all Secured Obligations have been paid in full in cash, the Vendor will execute and deliver to the Purchaser a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to or at the direction of the Purchaser (without recourse and without any representation or warranty) such of the Pledged Collateral as may remain in the possession of the Vendor together with any monies at the time held by the Vendor hereunder.

7. Vendor Warranties

The Vendor hereby warrants and undertakes to the Purchaser on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) the Vendor is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(B) the Company has been formed for the sole purpose of holding a portfolio of securities (the "Portfolio") and providing structured investments linked to the Portfolio and has engaged in no other business or activity since its formation;

(C) the execution, delivery and performance by the Vendor of this Agreement is within the corporate powers of the Vendor and this Agreement has been duly authorised, executed and delivered by the Vendor;

(D) this Agreement constitutes a valid and binding agreement of the Vendor;

(E) the execution, delivery and performance of this Agreement by the Vendor requires no action by or in respect of, or filing with, any governmental body, agency or official;

(F) the execution, delivery and performance of this Agreement by the Vendor does not and will not (i) violate the articles of association of the Vendor (ii) violate any applicable law, rule, judgement, injunction order or decree (iii) require any consent or other action by any person and (iv) constitute a default under any agreement or instrument binding on the Vendor;

(G) there is no action, suit or proceeding pending against, or to the knowledge of the Vendor threatened against or affecting the Vendor or any of its properties before any court or arbitrator or any governmental body, agency or official;

(H) the Vendor is not in violation of its articles of association or memorandum of association or in violation of or in default under any provision of applicable law or regulation or of any agreement, judgement, injunction, order, decree or other instrument binding on it, which violation or default (i) would affect the validity of this Agreement or (ii) would impair the ability of the Vendor to perform in any material respect the obligations which it has under this Agreement;

(I) the Purchase Shares are beneficially owned by the Vendor and are free of any security interest, lien or other encumbrance;

(J) the Purchase Shares represent the entire ownership of the Vendor in the Company;

(K) that the Portfolio (as defined in (B) above) is free of any security interests and is unencumbered other than being subject to certain stock loan transactions as specified in the Contribution Agreement (provided that the Vendor makes no other warranty or representation, whether express or implied, as regards the nature or provenance of the securities comprised in the Portfolio).

8. Purchaser Warranties

The Purchaser hereby warrants and undertakes to the Vendor on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from purchasing the Purchase Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement.

8. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Cayman Islands.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Woodglen I, Inc.

Name:
Title: PRESIDENT
Date: 5-5-00

For and on behalf of
European American Corporate Services Limited

Name:
Title:
Date: 5 May 2000

AMENDED AND RESTATED PURCHASE AGREEMENT

THIS AMENDED AND RESTATED PURCHASE AGREEMENT is made on the 30th day of November 2000, which reflects amendments to, and a restatement of, the original Purchase Agreement signed by the parties on the 5th day of May 2000.

BETWEEN:

(1) Woodglen I, Inc. (the "Purchaser"); and

(2) European American Corporate Services Limited whose registered office is at Walmar House 288-292 Regent Street, London W1R 5HF (the "Vendor").

WHEREAS:

(A) The Vendor wishes to sell and the Purchaser wishes to buy the Purchase Shares (as defined below) in accordance with and subject to the terms of this Agreement.

(B) The Purchaser is willing to grant to the Vendor security over the Purchase Shares as assurance for the payment of the Purchase Price (as defined below) on the terms also set out in this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Company" means Reka Limited, a Cayman Islands company.

"Annual Interest Amount" means, subject to the provisions of clause 5.2, an amount equal to the Purchase Price (as defined in clause 3 below) multiplied by 3.00% and payable annually on 31 December on the basis of the actual number of days elapsed and a 360 day year.

"Options" means the put option and call option entered into on the same date hereof between Barnville Limited (an Isle of Man company) and the Company.

"Prepaid Interest Amount" means US$3,470, representing an amount by way of interest, fees and structuring costs payable by the Purchaser to the Vendor.

"Purchase Date" means 5 May 2000.

"Purchase Price Payment Date" means with respect to payment of the Purchase Price (or any part thereof), the earlier of the Unwind Date or 17 August 2000 (the "Provisional Payment Date") or such later date as the Purchaser elects to pay all or part of the Purchase Price in accordance with clause 5.2 of this Agreement.

"Purchase Shares" means 1 ordinary share of the Company.

"Unwind Date" means the date upon which the Options are terminated early by the parties thereto.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Sale and Purchase

On the Purchase Date, the Vendor shall sell as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser shall purchase the Purchase Shares.

3. Consideration

The consideration for the sale of the Purchase Shares pursuant to the foregoing shall be USD 103,942 (the "Purchase Price") and shall be payable by the Purchaser to the Vendor for value on the Purchase Price Payment Date.

4. Interest on Purchase Price

By way of interest on the Purchase Price for the period from the Purchase Date to the Purchase Price Payment Date (both dates inclusive), the Purchaser shall pay to the Vendor:

(a) on the Purchase Date an amount equal to the Prepaid Interest Amount; and

(b) the Annual Interest Amount

in each case free of any withholding or deduction for or on account of tax.

5. Settlement

5.1 On the Purchase Date, the Vendor shall deliver to the Purchaser, or procure delivery to the Purchaser of, all instruments of transfer in respect of the Purchase Shares together with all certificates and any other document which may reasonably be required to give full legal and beneficial title to the Purchase Shares free from all Security Interests or which may be necessary to enable the Purchaser to procure the registration of the same in the name of the Purchaser or its nominee.

5.2 The Purchaser shall pay to the Vendor the Purchase Price for value on the Provisional Payment Date, provided that the Purchaser shall be entitled (subject always to the Purchaser not being subject at the relevant time to any insolvency, bankruptcy or similar proceeding) to continue to defer the payment of all or part of the Purchase Price until such future date or, in the case of instalment payments, dates, such date or dates to be determined at the Purchaser's discretion but in any event to be no later than 2 May 2035. If the Purchaser elects to defer part of its Purchase Price payment obligation in accordance with the foregoing, then the Annual Interest Amount shall be payable in parts and shall be determined with respect to each part payment according to that proportion of the Purchase Price represented by the relevant payment. In lieu of payment by the Purchaser of the Purchase Price (or part thereof) and the Annual Interest Amount on the applicable Purchase Price Payment Date, the

parties agree that the Vendor may effect a full or partial discharge (as the case may be) of such obligation through the set-off by the Vendor against any payment obligation of the Vendor owed to an affiliate or subsidiary of the Purchaser ("Affiliate") and which is or remains due and payable on the Purchase Price Payment Date. To the extent that the Vendor is able to effect such set-off and the relevant Affiliate consents to such treatment of its claim by the Vendor (which the Purchaser hereby undertakes to procure), then the payment obligation of the Purchaser to the Vendor hereunder shall be discharged accordingly.

6. Pledge

6.1 Upon the transfer of the Purchase Shares to the Purchaser pursuant to clause 5.1 above, the Purchaser hereby pledges and assigns to the Vendor, and grants to the Vendor a security interest in and to, all of the Purchaser's right, title and interest in and to, the Purchase Shares (the "Pledged Collateral") and all proceeds of any and all of the foregoing Pledged Collateral (except any distributions (whether in cash or otherwise) made with respect to the foregoing Pledged Collateral, which shall be transmitted promptly to the Purchaser).

6.2 Such pledge, assignment and security interest secures the payment of all obligations of the Purchaser now or hereafter existing under this Agreement, whether direct or indirect, absolute or contingent (all such obligations being the "Secured Obligations").

6.3 All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by the Vendor pursuant hereto and shall be in suitable form for transfer by delivery, and shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Vendor.

6.4 If in the event that the Purchaser shall default in performing any of the Secured Obligations (an "Event of Default") and such Event of Default shall be continuing for a period of more than 10 days after the date on which the Vendor notifies the Purchaser of such Event of Default:

(a) The Vendor may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the New York UCC as well as exercise its remedies under all applicable law, and the Vendor may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Vendor's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Vendor may deem commercially reasonable.

(b) Any cash held by the Vendor as Pledged Collateral and all cash proceeds received by the Vendor in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Vendor, be held by the Vendor as collateral for, and/or then or at any time thereafter applied in whole or in part by the Vendor against, all or any part of the Secured Obligations in such order as the Vendor shall elect. Any surplus of such cash or cash proceeds held by the Vendor and remaining after payment in full of

all the Secured Obligations shall be paid over to the Purchaser or to whomsoever may be lawfully entitled to receive such surplus.

(c) If the Vendor shall determine to exercise its rights to sell all or any of the Pledged Collateral pursuant to this Section, the Purchaser agrees that, upon request of the Vendor, the Purchaser will, at its own expense do or cause to be done all such acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

6.5 This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until payment in full in cash of the Secured Obligations, (b) be binding upon the Purchaser, its successors and assigns, and (c) inure to the benefit of the Vendor and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Vendor may, after notifying the Purchaser, assign or otherwise transfer all or any portion of its rights and obligations under the Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Vendor herein.

6.6 On the date on which all Secured Obligations have been paid in full in cash, the Vendor will execute and deliver to the Purchaser a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to or at the direction of the Purchaser (without recourse and without any representation or warranty) such of the Pledged Collateral as may remain in the possession of the Vendor together with any monies at the time held by the Vendor hereunder.

6.7 If at any time the Purchaser wishes to cause the Company to undertake any action after the purchase date that would result in the Company either acquiring or disposing of any assets or incurring or discharging any liabilities and such action would result in the net asset value of the Company being less than the total cash amount owed by the Purchaser to the Vendor under the Purchase Agreement, then for so long as any Secured Obligations is or are outstanding, the Purchaser may only seek to cause such action with the prior written consent of the Vendor (such consent not to be unreasonably withheld).

7. Vendor Warranties

The Vendor hereby warrants and undertakes to the Purchaser on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) the Vendor is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(B) the Company has been formed for the sole purpose of holding a portfolio of securities (the "Portfolio") and providing structured investments linked to the Portfolio and has engaged in no other business or activity since its formation;

(C) the execution, delivery and performance by the Vendor of this Agreement is within the corporate powers of the Vendor and this Agreement has been duly authorised, executed and delivered by the Vendor;

(D) this Agreement constitutes a valid and binding agreement of the Vendor;

(E) the execution, delivery and performance of this Agreement by the Vendor requires no action by or in respect of, or filing with, any governmental body, agency or official;

(F) the execution, delivery and performance of this Agreement by the Vendor does not and will not (i) violate the articles of association of the Vendor (ii) violate any applicable law, rule, judgement, injunction order or decree (iii) require any consent or other action by any person and (iv) constitute a default under any agreement or instrument binding on the Vendor;

(G) there is no action, suit or proceeding pending against, or to the knowledge of the Vendor threatened against or affecting the Vendor or any of its properties before any court or arbitrator or any governmental body, agency or official;

(H) the Vendor is not in violation of its articles of association or memorandum of association or in violation of or in default under any provision of applicable law or regulation or of any agreement, judgement, injunction, order, decree or other instrument binding on it, which violation or default (i) would affect the validity of this Agreement or (ii) would impair the ability of the Vendor to perform in any material respect the obligations which it has under this Agreement;

(I) the Purchase Shares are beneficially owned by the Vendor and are free of any security interest, lien or other encumbrance;

(J) the Purchase Shares represent the entire ownership of the Vendor in the Company;

(K) that the Portfolio (as defined in (B) above) is free of any security interests and is unencumbered other than being subject to certain stock loan transactions as specified in the Contribution Agreement (provided that the Vendor makes no other warranty or representation, whether express or implied, as regards the nature or provenance of the securities comprised in the Portfolio).

8. Purchaser Warranties

The Purchaser hereby warrants and undertakes to the Vendor on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from purchasing the Purchase Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement.

9. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Cayman Islands.

6. . .

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Woodglen I, Inc.

Name: Joel Latman
Title: Treasurer
Date: 30 NOVEMBER 2000

For and on behalf of
European American Corporate Services Limited

Name:
Title:
Date:

8. **Purchaser Warranties**

The Purchaser hereby warrants and undertakes to the Vendor on a continuing basis to the intent that such warranties shall survive the completion of sale and purchase of the Purchase Shares that:

(A) it is duly authorised and empowered to perform its duties and obligations under this Agreement;

(B) it is not restricted under the terms of its constitution or in any other manner from purchasing the Purchase Shares in accordance with this Agreement or from otherwise performing its obligations hereunder;

(C) it is acting as principal in respect of this Agreement.

9. **Governing Law and Jurisdiction**

This Agreement will be governed by and construed in accordance with the laws of the Cayman Islands.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Woodglen I, Inc.

Name:
Title:
Date:

For and on behalf of
European American Corporate Services Limited

Name: RAJAN PURI
Title: DIRECTOR
Date:

AMENDMENT AGREEMENT

THIS AGREEMENT is made on November 30th 2000

BETWEEN:

(1) Woodglen I, Inc. whose registered office is at 630 5th Avenue, Suite 1510, New York, NY10111 (the "Purchaser"); and

(2) European American Corporate Services Limited whose registered office is at Walmar House 288-292 Reagent Street, London W1R 5HF (the "Vendor").

WHEREAS:

(A) The parties entered into the Purchase Agreement (as defined below).

(B) The parties now wish to amend certain provisions of the Purchase Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Effective Date" means 5 May 2000.

"Purchase Agreement" means the agreement between the Purchaser and the Vendor dated 5 May 2000 relating to the purchase of shares in Reka Limited, a Cayman Islands company.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Amendment of Final Interest Amount

2.1 The definition of "Final Interest Amount" in clause 1 of the Purchase Agreement shall be deleted and replaced with the following:

""**Annual Interest Amount**" means, subject to the provisions of clause 5.2, an amount equal to the Purchase Price (as defined in clause 3 below) multiplied by 3.00% and payable annually on 31 December on the basis of the actual number of days elapsed and a 360 day year."

2.2 The following in clause 4 of the Purchase Agreement, "(b) on the Purchase Price Payment Date, an amount equal to the Final Interest Amount" shall be deleted and replaced with "(b) the Annual Interest Amount".

2.3 References to "Final Interest Amount" in clauses 5.2 and 5.3 of the Purchase Agreement shall be deleted and replaced with "Annual Interest Amount".

3. New Clause 6.7

The following shall be inserted into the Purchase Agreement, creating a new Clause 6.7:

"6.7 If at any time the Purchaser wishes to cause the Company to undertake any action that would result in the Company either acquiring or disposing of any assets or incurring or discharging any liabilities and such action would result in the net asset value of the Company being less than the total cash amount owed by the Purchaser to the Vendor under the Purchase Agreement, then for so long as any Secured Obligations is or are outstanding, the Purchaser may only seek to cause such action with the prior written consent of the Vendor (such consent not to be unreasonably withheld)."

4. Effective Date of Amendments and Restatement

All the amendments contained in this Agreement will be effective from the Effective Date and, for the avoidance of doubt, all the provisions of the Purchase Agreement other than those referred to herein shall remain unchanged and continue to be fully in force.

5. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Cayman Islands.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Woodglen I, Inc.

Name:
Title:

For and on behalf of
European American Corporate Services Limited

Name:
Title:

NOVATION AGREEMENT

THIS AGREEMENT is made as of the 5th day of May 2000.

BETWEEN:

(1) Barnville Limited of 19 Mount Havelock, Douglas, Isle of Man (the "Original Party");

(2) Reka Limited of West Bay Road, P.O. Box 31106 Grand Cayman, Cayman Islands (the "New Party"); and

(3) Jackstones Limited of 12-14 Finch Road, Douglas, Isle of Man (the "Remaining Party")

WHEREAS:-

(A) The Original Party lent to the Remaining Party the Contribution Shares (as defined below) under certain stock lending transactions documented under stock lending agreements entered into on 28 December 1999, 3 January 2000 10 January 2000 and 29 February 2000 (the "Stock Lending Agreements").

(B) The Original Party wishes to contribute the Contribution Shares to the New Party in exchange for shares in the New Party but, rather than recalling the Contribution Shares from the Remaining Party in accordance with the Stock Lending Agreements and then delivering them to the New Party, the Original Party has proposed that its rights and obligations under the Stock Lending Agreements insofar as they relate to the Contribution Shares be transferred and assigned to the New Party, such that the New Party then becomes entitled to call for the return of the Contribution Shares from the Remaining Party and, pending such recall, hold the cash collateral originally transferred by the Remaining Party to the Original Party.

(C) The New Party has agreed to take the Contribution Shares from the Original Party subject to the applicable Stock Lending Agreement with the Remaining Party and has agreed to assume the cash collateral obligations thereunder to the extent of the aggregate market value of the Contribution Shares as of the date hereof.

(D) With effect from the date hereof, the parties hereto have therefore agreed that, subject to the terms of this Agreement: -

(i) the Original Party shall be released and terminated by novation from its obligations under the Stock Lending Agreements insofar as they relate to the Contribution Shares; and

(ii) the New Party shall assume all of the obligations of the Original Party in respect of the Stock Lending Agreements insofar as they relate to the Contribution Shares, save in relation to the Residual Cash Collateral Obligation.

In consideration of the mutual promises and releases contained herein, it is hereby agreed as follows: -

1. In this Agreement, capitalised terms not otherwise defined shall bear the following meanings:

"Cash Collateral Obligation" means the obligation of the Original Party under the Stock Lending Agreements prior to the execution of this Agreement to repay to the Remaining Party the cash collateral amount allocable to the Contribution Shares (the **"Cash Collateral Amount"**), such amount having originally been transferred by the Remaining Party to the Original Party at the inception of the applicable stock lending transactions.

"Contribution Share(s)" means the shares set out in the Schedule hereto.

"Effective Date" means 5 May 2000.

"Market Value" means, with respect to a Contribution Share, the official closing price of that share on the Effective Date

"Residual Cash Collateral Obligation" means that part of the Cash Collateral Obligation equal to the Cash Collateral Amount less the sum of the Market Values of the Contribution Shares.

2. With effect on and from the Effective Date:-

(a) the New Party undertakes to the Remaining Party to perform, and assumes by novation, all the obligations due to be performed by the Original Party under the Stock Lending Transactions insofar as they relate to the Contribution Shares (other than the Residual Cash Collateral Amount) as if it were an original party thereto;

(b) the Remaining Party hereby releases the Original Party from its obligations and liabilities under the Stock Lending Agreements insofar as they relate to the Contribution Shares (other than in relation to the Residual Cash Collateral Amount);

(c) the Remaining Party hereby undertakes to the New Party to perform and assumes by novation obligations and liabilities in favour of the New Party identical to such of its obligations and liabilities as would arise in favour of the Original Party under the Stock Lending Agreements insofar as they relate to the Contribution Shares; and

(d) the Original Party releases the Remaining Party from its obligations and liabilities to the Original Party under the Stock Lending Agreements insofar as they relate to the Contribution Shares and the Original Party hereby relinquishes all of its rights, interests, duties, claims and benefits thereunder.

3. Each of the Remaining Party and the Original Party represents and warrants to the New Party that (i) it or he, as the case may be, has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its or his, as the case may be, legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

4. The New Party represents and warrants to the Remaining Party and the Original Party that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

5. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

6. This Agreement shall be governed and construed in accordance with English law.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed the day and year first before written.

Barnville Limited

.....

Name: A NICHOLSON
Title: DIRECTOR
Date: 5th May 2000

Reka Limited

.....

Name: ETC CORPORATION LTD
Title: DIRECTOR
Date: 24 AUG 2000

Jackstones Limited

.....

Name: G MURRAY & R SCOTT
Title: DIRECTORS
Date: 24 AUGUST 2000

Schedule

Contribution Shares

Share	Number of Shares in the Basket	Relevant Stock Lending Agreement	Value as at Stock Lending Date	Value as at Effective Date
Verisign, Inc.	100,000	29 Feb 2000	24,606,250	13,608,330
Conextent Systems, Inc.	125,000	29 Feb 2000	12,101,563	6,404,075
CMGI, Inc.	250,000	3 Jan 2000	40,805,000	16,175,250
Internet Capital Group, Inc.	215,000	3 Jan 2000	43,000,000	8,437,073
Commerce One, Inc.	230,000	28 Dec 1999	28,750,000	12,952,289
Yahoo! Inc.	100,000	3 Jan 2000	23,750,000	12,520,920
Citrix Systems, Inc.	300,000	29 Feb 2000	30,918,750	13,453,980
Excite @Home	450,000	10 Jan 2000	18,112,500	7,984,935
DoubleClick Inc.	200,000	3 Jan 2000	26,800,000	12,405,600
Totals			**248,844,063**	**103,942,452**

PROMISSORY NOTE

$103,942,452 5 May, 2000

FOR VALUE RECEIVED, Barnville Limited, a limited liability company organized and existing under the laws of the Isle of Man (the "Borrower"), hereby promises to pay to the order of Reka Limited (the "Company"), in lawful currency of the United States of America in immediately available funds, the principal sum of $103,942,452 or, if less, the unpaid principal amount of this Note from time to time, provided that the Company may not seek any such payment under this Note if and to the extent that either the Company or an affiliate entity of the Company owe an amount (an "Off-settable Amount") to the Borrower at the relevant time (whether or not such amount is then due and payable). As and when any Off-settable Amount becomes due and payable, then the liability of the Borrower under this Note shall be reduced by a corresponding amount in satisfaction of the Off-settable Amount.

The Borrower also promises to pay interest on the unpaid principal amount of this Note in like money from the date hereof until paid at a rate of 3.00% on the basis of the actual number of days elapsed and a 360 day year.

This Note is not endorsable may only be assigned with the prior written consent of the Borrower.

This Note shall be governed by, and construed in accordance with, the laws of the Isle of Man.

Barnville Limited

By: _____
Name: R NICHOLSON
Title: DIRECTOR

Accepted by:

Reka Limited

By: _____
Name: Roy Cairns
Title: Director

May 1, 2000

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 289

AMENDED AND RESTATED PROMISSORY NOTE

$103,942,452 5 May, 2000

FOR VALUE RECEIVED, Barnville Limited, a limited liability company organized and existing under the laws of the Isle of Man (the "Borrower"), hereby promises to pay to the order of Reka Limited (the "Company"), in lawful currency of the United States of America in immediately available funds, the principal sum of $103,942,452 or, if less, the unpaid principal amount of this Note from time to time, provided that the Company may not seek any such payment under this Note if and to the extent that either the Company or an affiliate entity of the Company owe an amount (an "Off-settable Amount") to the Borrower at the relevant time (whether or not such amount is then due and payable). As and when any Off-settable Amount becomes due and payable, then the liability of the Borrower under this Note shall be reduced by a corresponding amount in satisfaction of the Off-settable Amount.

The Borrower also promises to pay interest on the unpaid principal amount of this Note, in like money, at a rate of 3.00% payable on 31 December 2000 and annually thereafter (the "Interest Payment Date") or in a part year, on the basis of the actual number of days elapsed since the previous Interest Payment Date and a 360 day year.

This Note is not endorsable may only be assigned with the prior written consent of the Borrower.

This Note shall be governed by, and construed in accordance with, the laws of the Isle of Man.

Barnville Limited

By: _____
Name:
Title:

Accepted by:

Reka Limited

By: Roy Cairns
Name: CTC Corporation Corp
Title: Director

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 289

AMENDED AND RESTATED PROMISSORY NOTE

$103,942,452 5 May, 2000

FOR VALUE RECEIVED, Barnville Limited, a limited liability company organized and existing under the laws of the Isle of Man (the "Borrower"), hereby promises to pay to the order of Relca Limited (the "Company"), in lawful currency of the United States of America in immediately available funds, the principal sum of $103,942,452 or, if less, the unpaid principal amount of this Note from time to time, provided that the Company may not seek any such payment under this Note if and to the extent that either the Company or an affiliate entity of the Company owe an amount (an "Off-settable Amount") to the Borrower at the relevant time (whether or not such amount is then due and payable). As and when any Off-settable Amount becomes due and payable, then the liability of the Borrower under this Note shall be reduced by a corresponding amount in satisfaction of the Off-settable Amount.

The Borrower also promises to pay interest on the unpaid principal amount of this Note, in like money, at a rate of 3.90% payable on 31 December 2000 and annually thereafter (the "Interest Payment Date") or in a part year, on the basis of the actual number of days elapsed since the previous Interest Payment Date and a 360 day year.

This Note is not endorsable may only be assigned with the prior written consent of the Borrower.

This Note shall be governed by, and construed in accordance with, the laws of the Isle of Man.

Barnville Limited

By: _____
Name: A NICHOLSON
Title: DIRECTOR

Accepted by:

Relca Limited

By: _____
Name:
Title:

To: Reka Limited
West Bay Road
P.O. Box 31106
Grand Cayman
Cayman Islands

From: Barnville Limited
19 Mount Havelock
Douglas
Isle of Man

5 May 2000

Re: Equity Option Transaction

Dear Sir:

The purpose of this letter (this "Confirmation") is to confirm the terms and conditions of the Equity Option entered into between us on the Trade Date specified below ("the Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 1996 ISDA Equity Derivatives Definitions (the "Equity Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Derivatives Definitions and this Confirmation, this Confirmation will govern.

This Confirmation evidences a complete and binding agreement between you and us as to the terms of the Transaction to which this Confirmation relates. In addition, you and we agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of the ISDA Master Agreement (Multicurrency-Cross Border) (the "ISDA Form"), with such modifications as you and we will in good faith agree. Upon the execution by you and us of such an agreement, this Confirmation will supplement, form part of, and be subject to that agreement. All provisions contained in or incorporated by reference in that agreement upon its execution will govern this Confirmation except as expressly modified below. Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to the ISDA Form (each a "Confirmation") confirming transactions (each a "Transaction") entered into between us (notwithstanding anything to the contrary in a Confirmation), shall supplement, form a part of, and be subject to, an agreement in the form of the ISDA Form as if we had executed an agreement in such form (but without any Schedule except for the election of English Law as the governing law and US dollars as the Termination Currency) on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for the purpose of this Transaction.

The terms of the Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date: 5 May 2000

Option Style:	European
Option Type:	Put
Seller:	Barnville Limited
Buyer:	Reka Limited
Basket:	As specified in Annex 1
Number of Options:	One
Option Entitlement:	One Basket per Option
Multiple Exercise:	Inapplicable
Strike Price:	US$103,942,452
Premium:	$15,321,117, provided that, against this amount shall be set-off the premium payable by the Seller to the Buyer for the Call Option entered into between the Buyer and the Seller with the same Trade Date as this Option, resulting in a net premium payment due by the Buyer to the Seller of $2,380,282 on the trade date and $720,905 on May 22, 2000.
Exchange(s):	With respect to each security comprised in the Basket, the exchange on which that security is primarily traded.

Procedure for Exercise:

Expiration Date:	14 August 2000
Automatic Exercise:	Applicable

Valuation:

Valuation Time:	With respect to each security comprised in the Basket, the close of trading on the Exchange for that security.
Valuation Date:	The Expiration Date

Settlement Terms:

Cash Settlement Payment Date:	Three Exchange Business Days immediately following the Expiration Date.

Adjustments:

Method of Adjustment:	Options Exchange Adjustment

Extraordinary Events:

Consequences of Merger Events:

(a)	Share-for-Share:	Options Exchange Adjustment
(b)	Share-for-Other:	Options Exchange Adjustment
(c)	Share-for-Combined:	Options Exchange Adjustment

Nationalisation or Insolvency: Cancellation and Payment

Please confirm that the foregoing correctly sets out the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

.....

Barnville Limited

Confirmed as of the date first above written

.....

Reka Limited

COC Corporate - Cor
Director

ANNEX 1

Shares comprised in the Basket

The Basket is composed of the specified Shares of the Issuers listed below in the relative proportions and numbers set out in relation to each Issuer below.

Stock Ticker	Company	No of Shares in Basket	Contribution to Strike Price
VRSN	Verisign, Inc.	100,000	13,608,330
CNXT	Conextent Systems, Inc.	125,000	6,404,075
CMGI	CMGI, Inc.	250,000	16,175,250
ICGE	Internet Capital Group, Inc.	215,000	8,437,073
CMRC	Commerce One, Inc.	230,000	12,952,289
YHOO	Yahoo! Inc.	100,000	12,520,920
CTXS	Citrix Systems, Inc.	300,000	13,453,980
ATHM	Excite @Home	450,000	7,984,935
DCLK	DoubleClick Inc.	200,000	12,405,600
Total			103,942,452

To: Reka Limited
West Bay Road
P.O. Box 31106
Grand Cayman
Cayman Islands

From: Barnville Limited
19 Mount Havelock
Douglas
Isle of Man

5 May 2000

Re: Equity Option Transaction

Dear Sir:

The purpose of this letter (this "Confirmation") is to confirm the terms and conditions of the Equity Option entered into between us on the Trade Date specified below ("the Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 1996 ISDA Equity Derivatives Definitions (the "Equity Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Derivatives Definitions and this Confirmation, this Confirmation will govern.

This Confirmation evidences a complete and binding agreement between you and us as to the terms of the Transaction to which this Confirmation relates. In addition, you and we agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of the ISDA Master Agreement (Multicurrency-Cross Border) (the "ISDA Form"), with such modifications as you and we will in good faith agree. Upon the execution by you and us of such an agreement, this Confirmation will supplement, form part of, and be subject to that agreement. All provisions contained in or incorporated by reference in that agreement upon its execution will govern this Confirmation except as expressly modified below. Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to the ISDA Form (each a "Confirmation") confirming transactions (each a "Transaction") entered into between us (notwithstanding anything to the contrary in a Confirmation), shall supplement, form a part of, and be subject to, an agreement in the form of the ISDA Form as if we had executed an agreement in such form (but without any Schedule except for the election of English Law as the governing law and US dollars as the Termination Currency) on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for the purpose of this Transaction.

The terms of the Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date: 5 May 2000

Option Style:	European
Option Type:	Call
Seller:	Reka Limited
Buyer:	Barnville Limited
Basket:	As specified in Annex 1
Number of Options:	One
Option Entitlement:	One Basket per Option
Multiple Exercise:	Inapplicable
Strike Price:	US$114,336,697
Premium:	The premium for this Option (US$12,219,930) shall be offset and discharged in full against the premium cost for the Put Option entered into between the Buyer and the Seller with the same Trade Date as this Option
Exchange(s):	With respect to each security comprised in the Basket, the exchange on which that security is primarily traded.

Procedure for Exercise:

Expiration Date:	14 August 2000
Automatic Exercise:	Applicable

Valuation:

Valuation Time:	With respect to each security comprised in the Basket, the close of trading on the Exchange for that security.
Valuation Date:	The Expiration Date

Settlement Terms:

Cash Settlement:	Applicable
Cash Settlement Payment Date:	Three Exchange Business Days immediately following the Expiration Date.

Adjustments:

Method of Adjustment: Options Exchange Adjustment

Extraordinary Events:

Consequences of Merger Events:

(a) Share-for-Share: Options Exchange Adjustment

(b) Share-for-Other: Options Exchange Adjustment

(c) Share-for-Combined: Options Exchange Adjustment

Nationalisation or Insolvency: Cancellation and Payment

Please confirm that the foregoing correctly sets out the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

.....

Barnville Limited

Confirmed as of the date first above written

.....

Reka Limited

CTC CORPORATION Hd

DIRECTOR

ANNEX 1

Shares comprised in the Basket

The Basket is composed of the specified Shares of the Issuers listed below in the relative proportions and numbers set out in relation to each Issuer below.

Stock Ticker	Company	No of Shares in Basket	Contribution to Strike Price
VRSN	Verisign, Inc.	100,000	14,969,163
CNXT	Conextent Systems, Inc.	125,000	7,044,483
CMGI	CMGI, Inc.	250,000	17,792,775
ICGE	Internet Capital Group, Inc.	215,000	9,280,780
CMRC	Commerce One, Inc.	230,000	14,247,518
YHOO	Yahoo! Inc.	100,000	13,773,012
CTXS	Citrix Systems, Inc.	300,000	14,799,378
ATHM	Excite @Home	450,000	8,783,428
DCLK	DoubleClick Inc.	200,000	13,646,160
Total			114,336,697

Dated 5 May, 2000

Reka Limited

US Call Warrants due 2005

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (the "Agreement") is made on 5 May 2000, between:

(1) Reka Limited (the "Issuer"); and

(2) EA Investment Services Limited, a company organised under the laws of the British Virgin Isles (the "Company").

WHEREAS:

The parties wish to record the arrangements between them for the issue by the Issuer of 1000 USD covered call warrants due 2005 (the "Warrants", which expression where the context so admits shall include the Global Warrant (as defined below) to be delivered in respect of them).

IT IS AGREED as follows:

1. **ISSUE AND SUBSCRIPTION**

   (a) Subject to the terms and conditions of this Agreement, the Issuer agrees to issue the Warrants on 5 May 2000 or on such later date as the Issuer and the Company may agree (the "Closing Date"). The Warrants will be subscribed for at a subscription price of US$50,547 per Warrant (the "Subscription Price").

   (b) The Company hereby agrees to subscribe and pay for, or to procure subscriptions and payment for, the Warrants on the Closing Date at the Subscription Price subject to the terms of this Agreement.

2. **CLOSING**

   (a) On the Closing Date, the Issuer will issue and deliver to the Company or to its order a duly executed global warrant representing the Warrants (the "Global Warrant").

   (b) Against such delivery the Company will pay or cause to be paid to the Issuer in immediately available funds the subscription monies for the Warrant (being the Subscription Price of the Warrant).

   (c) The Issuer hereby authorises and instructs such payment(s) to be credited to an account of the Issuer at the Company (the "Issuer Account"), which monies shall remain so credited until the expiry or exercise by holders of the Warrants (on a pro rata basis in the case of only some of the Warrants being exercised) or until the exercise of the Put Right in accordance with clause 6 below.

3. **UNDERTAKINGS BY THE ISSUER**

   The Issuer undertakes with the Company as follows:

   (a) the Issuer will pay any stamp, issue, registration, documentary, transaction or other taxes and duties, including interest and penalties, payable on or in connection with the creation, issue and offering of the Warrants or the execution or delivery of this Agreement; and

   (b) the Issuer will forthwith notify the Company if at any time prior to payment of the subscription monies to the Issuer on the Closing Date anything occurs which renders

or may render untrue or incorrect in any respect any of the representations and warranties contained in clause 5 and will forthwith take such steps as the Company may reasonably require to remedy and/or publicise the fact.

4. REPRESENTATIONS AND WARRANTIES

As a condition of the obligation of the Company to subscribe and pay for or procure subscriptions and payment for the Warrant, the Issuer represents and warrants to the Company that:

(a) the Warrants are at the date of issue fully covered as a result of the Issuer holding, or having the unconditional right to call for, the Basket Shares (as defined in the Global Warrant);

(b) it is duly incorporated and validly existing under the laws of the Cayman Islands with full power and authority to own its assets and to conduct a business;

(c) all necessary actions, authorisations, conditions and things (including, without limitation, any necessary filings, registrations and consents) required to be taken, given, fulfilled and done by or on behalf of the Issuer in the Cayman Islands have been, or will be, taken, given, fulfilled and done in connection with the issue of the Warrants on or before the Closing Date;

(d) no consent, approval, authorisation, licence or qualification of or with any court or governmental agency or body is required and no other action or thing is required to be taken, fulfilled or done in relation to this paragraph 4(d) which has not been taken, fulfilled or done on or prior to the date hereof by the Issuer for the execution and delivery of the Agreement and the issue and distribution of the Warrants and the performance of the terms of the Warrants;

(e) the matters referred to in paragraph 4(d) above do not and will not:

(i) infringe, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting the Issuer, or any indenture, trust deed, mortgage or other agreement or instrument to which the Issuer or any of its subsidiaries is a party or by which it or any of its properties is bound; or

(ii) conflict with any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body, administrative agency or court, domestic or foreign, having jurisdiction over the Issuer, any such subsidiary or any of its properties.

(f) this Agreement has been duly authorised, executed and delivered by the Issuer and constitutes valid and legally binding obligations of the Issuer enforceable in accordance with their respective terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally;

(g) the Warrants have been duly authorised by the Issuer and, when duly executed, authenticated and issued will constitute valid and legally binding obligations of the Issuer enforceable in accordance with their respective terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally;

(h) there are no pending actions, suits or proceedings against or affecting the Issuer or any of its subsidiaries or any of its properties which, if determined adversely to the Issuer or any such subsidiary, would individually or in the aggregate have a material adverse effect on the condition (financial or other), prospects, results of operations or general affairs of the Issuer or on the ability of the Issuer to perform its obligations under this Agreement or the Warrants or which are otherwise material in the context of the issue of the Warrant and, to the best of the Issuer's knowledge, no such actions, suits or proceedings are threatened or contemplated;

(i) no stamp or other duty is assessable or payable in, and no withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature is imposed or made for or on account of any income, registration, transfer or turnover taxes, customs or other duties or taxes of any kind, levied, collected, withheld or assessed by or within, the Cayman Islands in connection with the authorisation, execution or delivery of this Agreement or with the authorisation, execution, issue, sale or delivery of the Warrants;

(j) no event has occurred or circumstance arisen which, had the Warrant been issued, might (or with the giving of notice and/or the lapse of time and/or the fulfilment of any other requirement might) constitute an "Event of Default" as defined in the terms and conditions of the Warrants;

(k) that neither the Issuer, its affiliates nor any persons acting on its behalf has made or will make offers or sales of securities under circumstances that would require the registration of the Warrants under the United States Securities Act of 1933.

5. CONDITIONS PRECEDENT

This Agreement and the obligations of the Company are conditional upon:

(a) there having been, as at the Closing Date, no adverse change which is material in the context of the issue of the Warrants, in the financial or other condition of the Issuer, nor any breach of, nor any event rendering untrue, misleading or incorrect in any material respect, any of the warranties of the Issuer contained herein, nor any breach by the Issuer of any of its obligations hereunder;

(b) the Issuer holding, or having the unconditional right to call for the Basket of Shares (as defined in the Global Warrant) on the Closing Date.

6. PUT RIGHT

(a) If at any time prior to the expiry of the Warrants, the Issuer no longer holds, or no longer has the right to call for the Basket of Basket Shares, then the Company shall have the right (the "Put Right") to put back to the Issuer all or any Warrants then outstanding which at such time it continues to hold for its own account.

(b) In the event that the Company exercises the Put Right in accordance with clause 6(a), then it shall deliver to the Issuer the Warrants in respect of which such right is exercised and shall, if appropriate, amend the Global Warrant accordingly.

(c) In exchange for the delivery of such Warrants to the Issuer, the Issuer shall be liable to pay to the Company an amount per Warrant equal to the Subscription Price plus

interest thereon for the period commencing on the Closing Date and ending on the date of delivery by the Bank at a rate equal to the rate of interest payable on the Issuer Account, which payment shall be satisfied and discharged by the Company debiting the Issuer Account by the appropriate amount.

7. INDEMNITY

The Issuer agrees to indemnify and hold harmless the Company and its respective directors, officers, employees (each an "Indemnified Person") from and against any and all losses, claims, damages, liabilities, judgements and expenses (including, but not limited to, legal costs and expenses) which it may incur, or which may be made against it caused by or arising out of any breach or alleged breach of any of the representations, warranties, undertakings or agreements contained in, or any certificate issued by the Issuer pursuant to, this Agreement. The amount paid or payable by an Indemnified Person as a result of such losses, claims, damages, liabilities, judgments or expenses shall include any legal or other expense incurred by such Indemnified Person in connection with investigating or defending such claim.

8. TERMINATION

The Company may by notice given at any time prior to payment of the subscription monies for the Warrants to the Issuer terminate this Agreement if:

(a) any of the representations and warranties contained in clause 4 shall have been untrue in any material respect at the time of making thereof or shall subsequently have become untrue in any material respect or in the event of failure to perform any of the Issuer's undertakings or agreements in this Agreement; or

(b) on the Closing Date any of the conditions specified in clause 5 has not been satisfied or waived by the Company; or

(c) in the opinion of the Company, there shall have been since the date hereof, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls such as would in the view of the Company be likely to prejudice materially the success of the offering and distribution of the Warrant or dealings in the Warrant in the secondary market.

(2) Upon such notice being given, the parties hereto shall be released and discharged from their obligations hereunder.

9. GOVERNING LAW AND JURISDICTION

(1) This Agreement is governed by, and shall be construed in accordance with English law.

(2) The Issuer hereby agrees for the benefit of the Company that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings arising out of or in connection with this Agreement may be brought in such courts.

IN WITNESS whereof this Agreement has been entered into on the date hereinbefore stated.

Reka Limited

By: CTC CORPORATION LTD.

Roy Cairns

Director

EA Investment Services Limited

By:

(2) The Issuer hereby agrees for the benefit of the Company that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings arising out of or in connection with this Agreement may be brought in such courts.

IN WITNESS whereof this Agreement has been entered into on the date hereinbefore stated.

Reka Limited

By:

EA Investment Services Limited

By: Kariem Abdellatif, Director

THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT (THE "WARRANTS") HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISON (THE "CFTC") UNDER THE UNITED STATES COMMODITY EXCHANGE ACT (THE "COMMODITY EXCHANGE ACT"). THE WARRANTS, OR INTERESTS THEREIN, MAY NOT AT ANY TIME BE OFFERED, SOLD, RESOLD, TRADED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA (INCLUDING THE STATES AND THE DISTRICT OF COLUMBIA), ITS TERRITORIES, ITS POSSESSIONS AND OTHER AREAS SUBJECT TO ITS JURISDICTION ("UNITED STATES") OR DIRECTLY OR INDIRECTLY OFFERED, SOLD, RESOLD, TRADED OR DELIVERED TO, OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON ("U.S. PERSON") WHO IS (I) AN INDIVIDUAL WHO IS A CITIZEN OR RESIDENT OF THE UNITED STATES; OR (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANISED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR WHICH HAS ITS PRINCIPAL PLACE OF BUSINESS IN THE UNITED STATES; OR (III) ANY ESTATE OR TRUST WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME; OR (IV) ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND IF ONE OR MORE UNITED STATES TRUSTEES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST; OR (V) A PENSION PLAN FOR THE EMPLOYEES, OFFICERS OR PRINCIPALS OF A CORPORATION, PARTNERSHIP OR OTHER ENTITY DESCRIBED IN (II) ABOVE; OR (VI) ANY ENTITY ORGANISED PRINCIPALLY FOR PASSIVE INVESTMENT, TEN PER CENT OR MORE OF THE BENEFICIAL INTERESTS IN WHICH ARE HELD BY PERSONS DESCRIBED IN (I) THROUGH (V) ABOVE IF SUCH ENTITY WAS FORMED PRINCIPALLY FOR THE PURPOSE OF INVESTMENT BY SUCH PERSONS IN A COMMODITY POOL THE OPERATOR OF WHICH IS EXEMPT FROM CERTAIN REQUIREMENTS FROM PART 4 OF THE CTFC'S REGULATIONS BY VIRTUE OF ITS PARTICIPANTS BEING NON-U.S. PERSONS; OR (VII) ANY OTHER "U.S.PERSON" AS SUCH TERM MAY BE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT OR IN REGULATIONS ADOPTED UNDER THE COMMODITY EXCHANGE ACT. IN ADDITION IN THE ABSENCE OF RELIEF FROM THE CTFC, OFFERS, SALES, RE-SALES, TRADES OR DELIVERIES OF WARRANTS, OR INTERESTS THEREIN, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS MAY CONSTITUTE A VIOLATION OF UNITED STATES LAW GOVERNING COMMODITIES TRADING, CONSEQUENTLY, ANY OFFER, SALE, RE-SALE, TRADE OR DELIVERY MADE, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON WILL NOT BE RECOGNISED.

REKA LIMITED
The ("Issuer")
GLOBAL CALL WARRANT
In relation to
A Basket of Basket Shares of Companies in the US Technology Sector due 5 May 2005

This global warrant (the **"Global Warrant"**) represents a duly authorised issue of 1000 warrants (the **"Warrants"** and each one a **"Warrant"**) in relation to a Basket of Shares of Companies in the US Technology Sector due 5 May 2005. The Global Warrant is subject to the attached terms and conditions (the **"Conditions"**).

The Global Warrant shall be governed by and construed in accordance with English law.

In witness whereof this Global Warrant has been executed by Reka Limited as a deed poll and delivered on the day and year first below written.

Dated 5 May 2000

SIGNED as a deed)
by **Reka Limited**) Ray Cairns

In the presence of: Judith Patrick

Witness' signature Judith Patrick

Name: .....

Address: P.O Box 31106SMB, GRAND CAYMAN

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 292

PSI-QUEL 07149

TERMS AND CONDITIONS OF WARRANTS

1. Definitions

In these conditions:

"Announcement Date" means (i) in respect of a Nationalisation, the date of the first public announcement of a firm intention to nationalise (whether or not amended or on the terms originally announced) that leads to the Nationalisation and (ii) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, in each case as determined by the Issuer.

"Basket" means, with respect to a Warrant, a basket of shares comprising the Basket Shares specified in Schedule A hereto.

"Basket Share" means any share that is for the time being comprised in the Basket.

"Basket Share Exchange" means, with respect to a Basket Share, NASDAQ, or such other stock exchange as the Issuer shall determine to be the principal stock exchange on which a Basket Share is listed or traded.

"Delivery Disruption" means, in the opinion of the Issuer, the failure of the Issuer to deliver on the Shares Settlement Date the requisite number of Basket Shares that is due solely to illiquidity in the market for such Basket Shares.

"EAIB" means European American Investment Bank, a financial institution organised under the laws of Austria.

"Exercise Business Day" means, in respect of any Warrant, a day (other than Saturday or Sunday) during the Exercise period on which banks in London are open for business.

"Exchange Notice" means a notice substantially in the form of the Exercise Notice as set out in Schedule A to these Conditions.

"Exercise Period" means the period commencing from 10.00am (London time) on the Issue Date to 10.00am (London time) on the Expiration Date.

"Exercise Price" means USD $155,914 per Warrant, less an amount (if any equal to the net amount of any dividends payable on the Share Entitlement which are reflected by a change from cum dividend quotation to ex dividend quotation of the Basket Shares on the relevant Basket Exchange(s) on any day falling after the Trade Date and on or before the Exercise Date.

"Expiration Date" means 5 May 2005.

"USD" means lawful currency of the United States of America.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the issuer of the Basket Shares are required to be transferred to a trustee, liquidator or other similar official, or (if holders of the Basket Shares become legally prohibited from transferring them.

"Merger Date" means, in respect of a Merger Event, the date upon which all holders of the necessary number of Basket Shares to constitute a Merger Event (other than, in the case of a

take-over offer, Basket Shares owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Basket Shares.

"**Merger Event**" means, in respect of the Basket Shares, any (i) reclassification or change of such Basket Shares that results in a transfer of or an irrevocable commitment to transfer all such Basket Shares outstanding: (ii) consolidation, amalgamation or merger of the issuer of the Basket Shares with or into another entity (other than a consolidation, amalgamation or merger in which the issuer of the Basket Shares is the continuing entity and which does not result in any such reclassification or change of all such Basket Shares outstanding): or (iii) other take-over offer for such Basket Shares that result in a transfer of or an irrevocable commitment to transfer all such Basket Shares (other than such Basket Shares owned or controlled by the offeror), in each case if the Merger Date is on or before the Expiration Date.

"**Merger Event Settlement Amount**" means an amount as determined by the Issuer which shall seek to preserve for the Holder(s) (as defined under Clause 2) the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after the date but for the occurrence of the Merger Event.

"**Nationalisation**" means, with respect to any of the Basket Shares, all the Basket Shares or all the assets or substantially all the assets of the issuer of the Basket Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"**Nationalisation/Insolvency Settlement Amount**" means an amount determined by the Issuer which shall seek to preserve for the Holders(s) the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant (s) after that date but for the occurrence of the Nationalisation or Insolvency (as the case may be).

"**New Shares**" means shares (whether of the offeror or a third party).

"**Other Consideration**" means cash and/or any securities (other than New Shares) or assets (whether of the offeror or a third party).

"**Potential Adjustment Event**" means, with respect to any of the Basket Shares:

(a) a subdivision, consolidation or reclassification of the Basket Shares (unless a Merger Event), or a free distribution or dividend of any such Basket Shares to existing holders by way of a bonus, capitalisation or similar issue;

(b) a distribution or dividend to existing holders of the Basket Shares of (i) such Basket Shares, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Basket Shares equally or proportionately with such payments to holders of such Basket Shares, or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Issuer;

(c) an extraordinary dividend;

(d) a call by the issuer of the Basket Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(e) any other similar event that may have a diluting or concentrative effect on the theoretical value of the Basket Shares.

"**Settlement Business Day**" means a day (other than Saturday or Sunday) on which each (i) banks in New York and the relevant Settlement System are open for business.

"**Settlement Disruption**" means, in the opinion of the Issuer, any circumstance beyond the control of the Issuer as a result of which the relevant Settlement System cannot clear the transfer of the appropriate number of Basket Shares.

"**Settlement System**" means, with respect to Basket Shares, the system through which such shares are customarily settled or any successor to such respective settlements systems. If the relevant settlement system ceases to settle the Basket Shares, the Issuer will, in its sole discretion, determine another manner of settlement of such Basket Shares.

"**Share Entitlement**" means one Basket of Shares per Warrant.

"**Share Settlement Date**" means, subject to Condition 6, the fifth Settlement Business Day after the Exercise Date.

"**Issue Date**" means 5 May 2000.

2. Form and Transfer

The Warrants will at all times be represented by a Global Warrant which will not itself be transferable and which will be deposited with the EAIB. Definitive warrants will not be issued.

Notwithstanding any notice to the contrary, the person for the time being appearing in the books of EAIB as the holder of a Warrant shall, for all purposes, be treated by the Issuer and all other persons as the person who is from time to time entitled to exercise the Warrants, being the person who is recorded in the books of EAIB as the holder thereof (the "**Holder**" and, collectively, the "Holders").

All transactions involving the Warrants (including transfers), in the open market or otherwise, must be affected through an account at, and in accordance with any applicable rules and procedures of EAIB. Title to each Warrant will pass upon registration of the transfer in the books of the relevant Clearing System. The minimum trading lot for the Warrants is one Warrant and multiples of one Warrant thereafter.

3. Status

The Warrants (i) constitute unsecured and unsubordinated obligations of the Issuer, (ii) rank equally among themselves and (iii) at the date the Warrants were issued rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by law. The underlying assets do not constitute obligations of the Issuer and the issue of Warrants shall not result in any rights or obligations arising on the Holder or the Issuer in respect of such underlying assets. Neither the Issuer nor the Holder is obliged (but it may) to purchase, hold or deliver (other than in accordance with these Conditions) any underlying assets.

The Warrants are not secured by any of the Basket Shares or any other securities.

4. Exercise Rights

(a) Exercise Rights

Each Warrant will, when duly exercised in accordance with the terms and conditions set out below, entitle the Holder to purchase from the Issuer the Basket of Basket Shares in consideration of the payment of the Exercise Price.

(b) Issuer's Obligations

In no event shall the Issuer have any liability for indirect, incidental or consequential damages (whether or not it has been advised of the possibility of such damages).

The exercise and settlement of the Warrants is subject to all applicable fiscal and other laws, regulations and practices in force on and following the Exercise Date and/or the Share Settlement Date.

The Issuer shall not incur any liability whatsoever if, after using its reasonable efforts, it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices.

(c) Prescription

If an Exercise Notice for a Warrant has not been duly completed and delivered in accordance with the provisions of Condition 5 set out below, by 10:00am (London time) on the Expiration Date, than that Warrant shall become void.

5. Exercise Procedure

(a) Exercise Notice

Subject to the exercise by the Issuer of the Issuer Call Right in accordance with Condition 12, or the to prior cancellation by the Issuer in accordance with the provisions of Condition 13, the Warrants may be exercised on any Exercise Business Day by the Holder delivering a duly completed Exercise Notice to EAIB on or before 10.00am (London time) on such day (the "**Exercise Date**"). Any Exercise Notice delivered after 10.00am on any such day shall be deemed to have been delivered on the immediately succeeding Exercise Business Day.

The Exercise Notice shall be in substantially the form set out in Schedule B hereto.

(b) Verification

Upon receiving an Exercise Notice, EAIB, shall verify that the person exercising the Warrants specified in the Exercise Notice is the Holder of those Warrants according to its books. Subject to such verification, EAIB will confirm to the Issuer the number of Warrants being exercised.

If the number of Warrants being exercised specified in the Exercise Notice exceeds the number of Warrants in the warrant account specified in the relevant Exercise Notice, the Exercise Notice will be deemed to be null and void and EAIB, will notify the Issuer accordingly. If the number of Warrants being exercised specified in the Exercise specified in the Exercise Notice does not exceed the number of Warrants in EAIB's account specified in the relevant Exercise Notice, then EAIB, will, on or before the Share Settlement Date, debit the account of the relevant Holder with the Warrants being exercised.

The Issuer will notify Holders as soon as reasonably practicable after it becomes aware of any Exercise Notice being invalid.

(c) Settlement

If a Warrant has been duly exercised in accordance with these conditions then on the Share Settlement Date the relevant Holder shall pay to the Issuer the Exercise Price and the Issuer shall transfer to the relevant Holder the Share Entitlement.

Such payment and such delivery will be made through the appropriate Settlement System at the account or by reference to an identification code notified to the Holders by the Warrant Agent, in the case of the Issuer, and, in the case of the Holders, as set out in the Exercise Notice, on a delivery against payments basis (wherever possible through relevant Settlement System).

(d) Effect of Exercise

Unless the exercise is determined to be improper, (i) the delivery of an Exercise Notice in relation to a Warrant shall constitute an irrevocable election and undertaking by the Holder to exercise that Warrant and (ii) after delivery of the Exercise Notice the relevant Holder may not transfer either legal or beneficial ownership of, or otherwise deal with, the Warrants being exercised. Notwithstanding this, if following the delivery of an Exercise Notice, any Holder does transfer or attempt to transfer the Warrants referred to in the Exercise Notice (the "**Exercised Warrants**"), then the Holder will be liable to the Issuer for any losses, reasonable costs and expenses suffered or incurred by the Issuer including those suffered as result of the Issuer terminating any related hedging arrangements as a result of receiving the relevant Exercise Notice and subsequently (i) entering into replacement hedging arrangements in respect of the Exercised Warrants or (ii) paying any amount in relation to the Exercised Warrants either with or without having entered into replacement hedging arrangements.

(e) Expenses

A Holder exercising a Warrant shall pay (i) all expenses including, without limitation, all stamp, issue, registration, securities transfer or other similar taxes or duties ("**expenses**"), if any, payable in connection with the issue and/or exercise of the Warrants, (ii) all expenses involved in delivering the Exercise Notice.

(f) Determinations

Any determination as to whether a Warrant has been properly exercised shall be made by the Issuer and shall be conclusive and binding on the Holder of that Warrant. Any attempt to exercise a Warrant that is determined to be improper shall be null and void and a further attempt will be determined in relation to when the subsequent Exercise Notice is delivered. The Issuer and EAIB will endeavour to notify the Holder of an improperly exercised Warrant of the improper exercise as soon as possible upon becoming aware of such improper exercise. In the absence of negligence or wilful misconduct, the Issuer or EAIB, will not be liable to any person for any action taken or omitted to be taken by it in connection with the notification or determination of an improper exercise. The Issuer will not under any circumstances be liable for any acts or defaults of EAIB in relation to the performance of their duties in relation to the Warrants.

(g) Global Warrant

When a Warrant is exercised, the Issuer will advise EAIB, and EAIB will note the exercise on the Global Warrant and the number of Warrants represented by such Global Warrant shall be reduced by the cancellation of the Warrants exercised.

6. Settlement Disruption

If in the opinion of the Issuer there is a Settlement Disruption in relation to the Basket Shares which prevents delivery of such Basket Shares on the original Share Settlement Date, the Share Settlement Date will be the first succeeding day on which there is no Settlement Disruption provided always that, if Settlement Disruption prevents settlement on each of the 10 Settlement Business Days immediately following the original Share Settlement Date, (i) if such Basket Shares can be delivered in any other commercially reasonable manner, then the Share Settlement Date will be the first day on which settlement of a sale of Basket Shares executed on that 10th Settlement Business Day customarily would take place using such other commercially reasonable manner of delivery, and (ii) if such Shares cannot be delivered in any other commercially reasonable manner, then the Share Settlement Date will be postponed until delivery can be effected through the relevant Settlement System or in any other commercially reasonable manner.

7. Delivery Disruption

If in the opinion of the Issuer there is a Delivery Disruption in relation to the Basket Shares and the Issuer has notified the relevant Holder(s) within one Settlement System Business Day following the Exercise Date to that effect, then the Issuer may:

(a) determine the obligation of the Holder(s) and/or the Issuer to deliver such Basket Shares and the Issuer will pay an amount as it determines shall seek to preserve for the Holder(s) the economic equivalent of the relevant receipt or delivery, as the case may be, (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after that date but for the occurrence of such Delivery Disruption, in which event the entitlements of the respective exercising Holder(s) to deliver or receive (as the case may be) such Basket Shares pursuant to such exercise shall cease and the Issuer's obligations under the Warrant(s) shall be satisfied in full upon payment of such amount; or

(b) determine that the Issuer shall deliver on the Share Settlement Date such number of Basket Shares as it can deliver on that date and that the Issuer shall pay an amount which it determines shall seek to preserve for the Holder(s) the economic equivalent of the delivery or receipt (as the case may be) of the remainder of the Basket Shares (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after that date but for the occurrence of such Delivery Disruption, in which event the entitlements of the respective exercising Holder(s) to deliver or receive (as the case may be) such Basket Shares pursuant to such exercise shall cease and the Issuer's obligations under the Warrant(s) shall be satisfied in full upon payment of such amount.

8. Adjustment

The Issuer shall determine whether or not at any time a Potential Adjustment Event has occurred in relation to the Basket Shares and where it determines that such an event has occurred, the Issuer will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Basket Shares and, if so, will make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Share Exercise Price and/or the Share Entitlement, which the Issuer determines to be appropriate to account for that diluting or concentrative effect and determine the effective date(s) of such adjustment(s).

9. Merger Event

If, in the opinion of the Issuer, a Merger Event has occurred in relation to the Basket Shares, then the Issuer may:

(a) make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Share Exercise Price and/or the Share Entitlement), to account for such Merger Event and determine the effective date(s) of such adjustment(s); or

(b) determine that the Warrants shall be terminated, in which case the Warrants shall cease to be exercisable as of the Merger Date, (or in the case of any Warrants which have been exercised but remain unsettled, the entitlements of the respective exercising Holder(s) to sell the Basket Shares pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Merger Event Settlement Amount.

10. Nationalisation or Insolvency

If, in the opinion of the Issuer, a Nationalisation or an Insolvency has occurred in relation to any of the Basket Shares, then the Issuer may:

(a) make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Basket of Basket Shares, Exercise Price and/or the Share Entitlement), which the Issuer determines to be appropriate to account for such Nationalisation and/or Insolvency (as the case may be) and determine the effective date(s) of such adjustment(s); or

(b) determine that the Warrants shall be terminated, in which case the Warrants shall cease to be exercisable as of the Announcement Date, (or in the case of the Warrants which have been exercised but remain unsettled, the entitlements of the respective exercising Holder(s) to sell Basket Shares pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Nationalisation/Insolvency Settlement Amount.

11. Illegality and Force Majeure

The Issuer shall have the right to terminate its obligations under the Warrants if it determines that it is or will become unlawful or impractical for it to carry out all or any of its obligations under the Warrants for any reason including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances, the Issuer shall, if and to the extent permitted by applicable law, pay to each Holder in respect of each Warrant held by him an amount determined by the Issuer as representing the fair market value of such Warrant immediately prior to such termination (ignoring such illegality or impracticality), less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any underlying related hedge arrangements, all as determined by the Issuer.

12. Issuer Call Right

The Issuer shall have the right (but not the obligation) to call for all (but not some only) of the Warrants outstanding at any time during the period commencing on the Issue Date and ending on the date falling 270 days thereafter upon giving no less than 10 (ten) days prior written

notice to the Holders in accordance with Condition 20(b) stating the date (the "Call Date") upon which the call of Warrants is to be made. Warrants may be exercised at any time up to the Exercise Business Day immediately prior to the Call Date and any Warrants not so exercised shall, subject to payment of the Call Price (as defined below), be cancelled and be of no further effect on the Call Date. On the Call Date, the Issuer shall credit to the account of each Holder (as such account(s) are notified to it by the Holders for such purpose) an amount equal to the Call Price per Warrant owned by the relevant Holder.

For the purpose of the foregoing, the "Call Price" shall be an amount equal to the greater of (a) the subscription price for each Warrant (the "Subscription Price") plus interest thereon for the period commencing on the Issue Date and ending on the Call Date (both dates inclusive) at a rate equal to the rate of interest at which the Issuer deposited money, or would have been able to deposit money, during entirety of that period and (b) the Subscription Price plus 50 per cent of the positive intrinsic value of each Warrant (if any) as at the Call Date.

13. Purchase and Cancellation

The Issuer or any of its affiliates may at any time purchase one or more of the Warrants at any price in the open market, by tender, by private treaty or otherwise. If a Warrant is purchased by the Issuer or its affiliate it may be cancelled, held or re-sold or otherwise dealt with. No Warrant that has been exercised or purchased and cancelled may be re-issued.

14. Taxation

The Issuer is not liable for or otherwise obliged to pay, and the relevant Holder shall pay, any tax, duty, charges, withholding or other payment which may arise as a result of, or in connection with the issue, ownership, transfer, exercise or enforcement of any Warrant, including, without limitation, the delivery of any amount of Basket Shares. The Issuer shall have the right, but not the duty, to withhold or deduct from any amount payable to the Holder, such amount as is necessary (i) for the payment of any such taxes, duties, charges, withholdings or other payments or (ii) for effecting reimbursement in accordance with the following sentence. The relevant Holder shall promptly reimburse the Issuer, if the Issuer is obliged to pay any tax, duty, charge, withholding or other payment referred to in this condition.

15. Invalidity and Modification

Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way. The Issuer will endeavour in good faith to replace the invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions.

The Issuer may modify the Conditions without the consent of the Holders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable provided that such modification is not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with Condition 20, but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

16. Further Issues

The Issuer may, from time to time without the consent of the Holders, create and issue further Warrants which form a single series with the Warrants.

17. Substitution

The Issuer may at any time, and from time to time, without the consent of the Holders, substitute for itself as obligor under the Warrants, any subsidiary or holding company of the Issuer or any subsidiary of such holding company which at the time of such substitution has the same credit rating as the Issuer (the "**New Issuer**"), provided that the New Issuer shall assume all obligations that the Issuer owes to the Holders under or in relation to the Warrants. If such substitution occurs, then any reference in these conditions to the Issuer shall be construed as a reference to the New Issuer. Any substitution will be promptly notified to the Holder in accordance with these conditions. In connection with any exercise by the Issuer of the right of the Substitution, the Issuer shall not be obliged to have regard to any of the consequences suffered by individual Holders as a result of the exercise by the Issuer of the right of substitution, including consequences resulting from the Holders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory. No Holder shall be entitled to claim from the Issuer any indemnification or repayment in respect of any consequence suffered by the Holder as a result of the exercise by the Issuer of the right of substitution.

18. Governing Law

The Warrants are governed by and construed in accordance with the laws of England. The Issuer hereby irrevocably agrees for the exclusive benefit of each Holder that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Warrants and that accordingly any suit, action or proceeding (together in this paragraph referred to as "**Proceedings**") arising out of or in connection with the Warrants may be brought in such courts. Nothing in this paragraph shall limit the right of the bearer of any Warrant to take Proceedings in any other court of competent jurisdiction, whether concurrently or not.

19. Warrant Agent

The Initial "**Warrant Agent**" is European American Investment Bank and its specified office is its head office at Suite 10 Lillengasse 1, 3rd Floor, A-1010, Vienna.

The Issuer reserves the right at any time to vary or terminate the appointment of EAIB and to appoint other or additional Warrant Agents. Notice of any such termination or appointment and of any changes in the specified office of EAIB will be given to the Holders in accordance with these Conditions.

EAIB is acting solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, any Holder.

20. Notices

(a) To the Issuer

Notice may be given to the Issuer by delivering the notice in writing to the Issuer at West Bay Road, P.O. Box 31106 Grand Cayman, Cayman Islands (c/o Citco Trustees (Cayman) Limited or such other address as may notified to the Holders in accordance with these Conditions.

(b) To the Holders

Any notice to the Holders will be deemed to have been duly given to the Holders if the notice is given to EAIB for onward transmission to the Holders. Any such notice shall be deemed to have been given by the Issuer to the Holders on the date the notice is given to EAIB.

21. Determinations of the Issuer

All calculations, determinations or other decisions by the Issuer pursuant to these Conditions (including where a matter is to be decided by reference to the Issuer's opinion) shall (save in the case of manifest error) be made in the Issuer's sole and absolute discretion and shall be final and binding on the Holder. The Issuer shall not have any responsibility for any errors or omissions in the calculation and determination of the any payment due under Conditions 6 to 12 arising from such errors or omissions.

SCHEDULE A

Share Basket

Stock Ticker	Company	No of Shares in Basket
VRSN	Verisign, Inc.	100,000
CNXT	Conextent Systems, Inc.	125,000
CMGI	CMGI, Inc.	250,000
ICGE	Internet Capital Group, Inc.	215,000
CMRC	Commerce One, Inc.	230,000
YHOO	Yahoo! Inc.	100,000
CTXS	Citrix Systems, Inc.	300,000
ATHM	Excite @Home	450,000
DCLK	DoubleClick Inc.	200,000

SCHEDULE B

THIS EXERCISE NOTICE SHALL NOT BE EFFECTIVE UNLESS THE APPROPRIATE CERTIFICATION AS TO NON-BENEFICIAL OWNERSHIP HAS ALSO BEEN DELIVERED WHERE REQUIRED

Reka Limited
Warrants
In relation to
a Basket of Shares of Companies in the US Technology Sector due 2 May 2005

Exercise Notice for Warrants

1. Name of the Holder of the Warrants
(if joint Holders, insert all names)

2. Address of the Holder
(if joint Holders, insert the address of the first named Holder)

3. Number of Warrants being exercised

4. Warrant Account Details

The Holder irrevocably instructs EAIB to debit its account, on or before the Share Settlement Date, with the Number of Warrants specified in section 3 of this notice.

5. Undertaking

The Holder undertakes to pay all expenses, including, without limitation, any applicable stamp duty and or any other duties or taxes due in connection with the exercise by the Holder of the Warrants and the Holder irrevocably instructs EAIB (i) to debit the account specified in section 4 of this notice with an amount equal to the sum of any such expenses, duties or taxes and (ii) to pay such expenses, duties or taxes.

6. Signature of the Holder

(If joint Holder's, all Holder's must sign)

7. Date of this Notice

Brian Hanson

From: Brian Hanson
Sent: Wednesday, March 13, 2002 12:34 PM
To: 'anussbaum@
Cc: Andrew Robbins
Subject: Reka

Redacted by the Permanent Subcommittee on Investigations

Point Strategy Presentation.pd...

Amanda,

Pursuant to your request of Andy Robbins, I am attaching the following narrative related to Mr. Johnson's investment in Reka Limited/I LLC.

In addition, here is a synopsis of the trade profitability:

Woodglen (refers to both Woodglen entities) purchased Reka for $105,392,452 which included a $1,450,000 purchase premium (the fee charged by Euram for facilitating the creation of Reka and the issuance of the long dated warrant etc.). Woodglen then put a collar around the securities the created a net debit of $3,101,187 consisting of the purchase of a put for $15,321,117 and sale of a call for $12,219,930. The collar was closed out 31 days later by paying $2,596,167 consisting of the purchase of the call for$14,551,943 and the sale of the put for $11,955,776. The portfolio was liquidated for $112,276,243 generating a profit of $8,333,791. The investment advisory fees associated with Quellos were paid separately by RWJIV pursuant to an investment advisory agreement spanning a 24 month period that requires the payment of $120,000 per month. There was an additional $20,000 that was paid by Reka. Using these figures one could argue that Reka generated a net profit of $2,636,437 over the 31 day period not accounting for the fees of $1,450,000 and the $2,900,000.
If you have any questions regarding either document, please feel free to contact either Andy or myself. I can be reached directly at (206) 613-6732 and Andy can be reached at (212) 609-4185.

Regards,

Brian Hanson
Quellos Custom Strategies, LLC
Phone : (206) 613-6700
Fax : (206) 613-6713

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 296

MAY 05 2000 14:13 FR BANC OF AMERICA 212 847 6561 TO 912066136710 P.01/03

Banc of America Securities LLC

Fax Cover Sheet

To:	Jeff Greenstein
Company:	Quadra
Telephone Number:	206-613-6750
Fax Number:	206-613-6710
Date:	May 5, 2000
From:	Mark O'Donnell
Department:	EFP
Telephone Number:	212-583-8373
Fax Number:	212-583-8457

Number of pages including this cover sheet: 3

If transmission problems occur, please call:

Message:

Jeff,

Here is a termsheet for the 100/107 call spread.

--Mark

Bank of America

MAY 05 2000 14:13 FR BANC OF AMERICA 212 847 6561 TO 912066136710 P.02/03

Banc of America Securities LLC

Indicative Terms Only
As of May 5, 2000

RWJ

TECHNOLOGY BASKET CALL SPREAD

Transaction Summary:	Party A purchases a European Call Spread on the Underlying Basket.
Party A:	Barnville Ltd.
Party B:	Bank of America, N.A.
Trade Date:	May 5, 2000
Initial Settlement Date:	May 10, 2000
Maturity Date:	September 7, 2000
Final Settlement Date:	Three Business Days after Maturity Date
Underlying Equity:	See attached basket
Premium:	**$4,400,000.00**
Aggregate Notional Amount:	$103,942,452) 4.23%
Execution Price:	$103,942,452
Option Style:	European
Settlement Type:	Cash Settlement
Option Payout at Maturity:	***Basket(f) – Lower Call Strike*** Where: Lower Call Strike is the Execution Price Basket(f) is the sumproduct of the closing "bid" prices of each of the basket companies and their relevant share weights, subject to a maximum value of 111,218,423.64 (107% of the Execution Price).

Other Terms

Due Authorization:	Prior to Trade Date, Party A will provide to Party B a Corporate Resolution providing evidence of authority to enter into the transaction, a list of employees authorized to enter into the transaction on behalf of Party A, a Certificate of Incorporation and an IRS Form W-8

Banc of America Securities LLC

Indicative Terms Only
As of May 5, 2000

Basket Components/Weights:

Stock Ticker	Stock Shares	Execution Price	Basket Notional
VRSN	100,000	136.08	13,608,330.00
CMGI	250,000	64.70	16,175,250.00
ICGE	215,000	39.24	8,437,073.00
CNXT	125,000	51.23	6,404,075.00
CMRC	230,000	56.31	12,952,289.00
DCLK	200,000	62.03	12,405,600.00
YHOO	100,000	125.21	12,520,920.00
CTXS	300,000	44.85	13,453,980.00
ATHM	450,000	17.74	7,984,935.00
Total			103,942,452.00

REKA LIMITED

Analysis of Basket Positions

Stock	Ticker	Shares	Execution Price	Notional
CMGI, Inc.	CMGI	250,000	64.70	$ 16,175,250
Verisign, Inc.	VRSN	100,000	136.08	13,608,330
Citrix Systems, Inc.	CTXS	300,000	44.85	13,453,980
Commerce One, Inc.	CMRC	230,000	56.31	12,952,289
Yahoo! Inc.	YHOO	100,000	125.21	12,520,920
DoubleClick, Inc.	DCLK	200,000	62.03	12,405,600
Internet Capital Group, Inc.	ICGE	215,000	39.24	8,437,073
Excite @Home	ATHM	450,000	17.74	7,984,935
Conextent Systems, Inc.	CNXT	125,000	51.23	6,404,075
Total basket				$ 103,942,452

WOODGLEN I, LLC & WOODGLEN I, INC.

Analysis of Hedge Positions

Strike price of long put	$ 103,942,452
Strike price of short call	$ 111,218,424
Maximum downside from current valuation if put is exercised	$ -
Maximum upside from current valuation if call exercised	$ 7,275,972

The above analysis relates specifically to the basket of stocks held by Reka Limited and the options purchased by Woodglen I, LLC and Woodglen I, Inc. to hedge the exposure on their investment in Reka Limited.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Jeff Greenstein
Sent: Friday, April 28, 2000 7:52 AM
To: 'John Staddon'
Subject: RE: [redacted] trade

[redacted]

John - sorry the portfolio didn't come through. Attached is a file that has the stocks and approximate quantities. I will give you a call shortly to review.

-----Original Message-----
From: John Staddon [mailto:john.staddon@[redacted]
Sent: Friday, April 28, 2000 4:43 AM
To: Jeff Greenstein; Chuck Wilk
Cc: Rajan Puri
Subject: RE: [redacted] trade
Importance: High

Jeff,

Jeff/ Chuck

The portfolio details were not attached. Please send over asap and Jeff could you confirm which tranche the shares derive from (i.e. the first tranche of 28/12/99, 03/01/00 and 28/01/00 or the second tranche of 28/02/00).

I assume that we are looking to execute for [redacted] today. On that basis:

(a) the call spread and option collars will have an expiry date of 7 August 2000 (by our reckoning) and, assuming a three business day settlement period, the cash settlement will of the options arises on 10 August. 10 August will also be the date on which the deferred consideration becomes payable. Please confirm that this is the basis on which the BoA options will be traded.

(b) the call spread will be traded at some point during the NY business day;

(c) I will get faxed signatures for the various documents and send them to you via fax (the agreements allow for counterparts).

(d) I will arrange for hard copy originals to be circulated early next week (once we have hard numbers as well).

Some other factors to note:

1. I still need the names of the [redacted] entities.
2. Instead of using Reka, I have set up another Isle of Man company for Zilkha (details of which I have faxed to Chris Hirata) - it is called Torens Limited.
3. The bank account details that I sent you over Chuck yesterday for Barnville needs to refer to "TRISKCOUSD1" rather than "EUROTCOUSD1".
4. For the purposes of calculating our fee, please confirm that the structure size.

Permanent Subcommittee on Investigations
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PSI-QUEL 10704

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Finally, I know that we discussed this for Woody and his trades, but I also need confirmation from you that [redacted] and/or his advisers is aware of the book entry features of the structure.

Thanks,
John

-----Original Message-----
From: Jeff Greenstein [mailto:jeffg[redacted]
Sent: Friday, April 28, 2000 4:51 AM
To: 'John Staddon'
Cc: Chuck Wilk
Subject: [redacted] trade

John - in preparing the draft documents I have enclosed some approximate facts that will likely change slightly prior to execution:

Stock Basket:

<<...>>

Total fair value of purchase: 91,796,000

Option Prices & terms:

100 day European cash settled options:

100% put: 13,530,859
108% call: 11,382,813

Pre-paid interest and fees: 1,850,000

Obviously the cost of the call spread will equal the combination of the pre-paid interest and the net debit on the options. This amount will be forward to Bank of America. A similar e-mail will be prepared for Woody's trade. I will speak with you in the morning but this should provide for you to start preparing the documents. Jeff

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: jstaddon@[redacted]
Sent: Friday, May 19, 2000 5:55 AM
To: Chuck Wilk
Cc: Jeffg@[redacted]
Subject: Re: Nominee shares

Chuck,

I think that is fine. As you say, the transfer of shares must be accompanied by a corresponding assumption of the purchase price payment obligation. Also, in order to permit the transfer of shares, Barnville must release the pledge over the shares selected for transfer and then the purchasing entity needs to pledge the purchased shares to Barnville. Sounds simple enough, but I think may be quite involved from a docs point of view. How do you envisage implementing this?

John
----- Original Message -----
From: Chuck Wilk <ChuckW@[redacted]
To: <jstaddon@[redacted]>; Chuck Wilk <ChuckW@[redacted]; Christopher Hirata <chrish@[redacted]
Cc: Jeff Greenstein <jeffg@qcm.com>
Sent: Tuesday, May 16, 2000 3:58 PM
Subject: RE: Nominee shares

> Based on my current understanding, I think on the existing trades we will
> shift some ownership to the minority partner. We will accomplish this by
> having the minority partner assume additional purchase price debt for an
> increased percentage ownership. I assume we will need documentation from
> the Seller recognizing the debt assumption. On future transactions, we
> should have the entity that purchases the nominee shares also purchase
some
> common shares. Is this acceptable on your end?
>
> Chuck
>
> -----Original Message-----
> From: jstaddon@[redacted][mailto:jstaddon@[redacted]
> Sent: Tuesday, May 16, 2000 4:31 AM
> To: Chuck Wilk; Christopher Hirata
> Subject: Re: Nominee shares
>
>
> When we first discussed the issue of the spvs having to be capable of
> partnership treatment, you only mentioned that there needed to be more
than
> one owner of shares (which is what we have). The only way of introducing
> different rights at this stage is to amend the applicable articles of
> association by creating two different classes of shares. This action can
> only be instituted from this point onwards and then at the behest of the
new
> owners. I am not sure whether that would be helpful given that at the
time
> of original purchase the two sets of shares carried the same rights.
>
> I am travelling to Vienna this afternoon and will be there until Thursday,
> but will try to call you to discuss.
> John
> ----- Original Message -----

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[redacted] = Redacted by the Permanent Subcommittee on Investigations

> From: Chuck Wilk <Chuckw[redacted]>
> To: <jstaddon[redacted]>; Christopher Hirata <chris[redacted]>; Chuck
> Wilk <Chuckw[redacted]>
> Sent: Monday, May 15, 2000 6:59 PM
> Subject: RE: Nominee shares
>
>
> > John,
> > >
> > What I do not like is that one purchaser owns 99.9999999998 % and the
> other
> > purchaser who bought the nominee shares owns .00000000000002%. With
> > identical rights and obligations the IRS is very likely to say we only
> have
> > one member not two and therefore are not a partnership. Game set and
> match
> > IRS. However, if we can give the nominee shareholder some special
rights
> > (such as managing member, super-voting or economic preference) then we
> have
> > an argument that there are two partners.
> > >
> > Re: Woody's [redacted] trade-- Would you please forward to us from
> Barnville
> > the original cost basis of each security contributed to the SPV and the
> date
> > of purchase. I realize we probably have this information but we wanted
it
> > to come through us to the client from Barnville.
> > >
> > Thanks,
> > Chuck
> > >
> > -----Original Message-----
> > From: jstaddon@[redacted][mailto:jstaddon[redacted]
> > Sent: Monday, May 15, 2000 10:30 AM
> > To: Christopher Hirata; Chuck Wilk
> > Subject: Nominee shares
> > >
> > >
> > Each of the spvs for the recent Point transactions had as part of their
> > share structure one, or in one of the cases two, shares held by
nominees.
> > These shares represent the subscriber shares issued upon incorporation
of
> > the companies. These shares are typically held in the first instance by
> > local trust companies (usually through separate nominee companies
> > established soley for this purpose) that offer "off-the-shelf" entities
> for
> > immediate purchase and use. A purchase by new owners is achieved by the
> the
> > nominee company agreeing to hold the subscriber shares as nominee for
the
> > the purchasers, who can from that point onwards instruct a transfer of
> title
> > to the shares either into their own names or into those of designated
> third
> > parties.
> > >
> > This has been the case for each of Torens, Reka and Burgundy. As you
> know,
> > the contribution by Barnville resulted in the issue of 1000 new shares
> (i.e.
> > additional to the existing subscriber shares). It is these shares that
> are

> > purchased by the client/ client LP. As for the nominee shares, these
are
> > purchased by the other client entity (i.e. Digital Inc. in the case of
> > Zilkha). The nominee shares are no different to the newly issued shares
> and
> > carry exactly the same rights and have no additional liabilities - in
> other
> > words they are completely fungible.
> >
> > I am not sure if this is what you need to be confirmed, but if there is
> > anything else perhaps you would send me a reply with any query.
> >
> > Best regards,
> > John
> >
> >
>

UNWIND AND PURCHASE AGREEMENT

THIS AGREEMENT is made on this 5th day of June 2000

BETWEEN:

(1) Jackstones Limited of 12-14 Finch Road, Douglas, Isle of Man (the "Purchaser"); and

(2) Reka Limited of at West Bay Road, P.O. Box 31106 Grand Cayman, Cayman Islands (the "Vendor").

WHEREAS:

(A) The Borrowed Shares are beneficially owned by the Vendor, but have been lent to the Purchaser pursuant to the Stock Lending Transactions.

(B) The parties wish to terminate the Stock Lending Transactions and thereupon for the Vendor to sell and the Purchaser to buy the Borrowed Shares subject to the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Cash Collateral Amount" means US$103,942,452, being the portion of cash collateral originally transferred by the Purchaser to Barnville Limited in connection with the Stock Lending Transactions.

"Borrowed Shares" means the shares specified in the Appendix hereto.

"Net Amount" means US$8,333,791.

"Novation Agreement" means the novation agreement entered into on 5 May 2000 between Barnville Limited, the Purchaser and the Vendor.

"Settlement Date" means 8 June 2000.

"Stock Lending Agreement" means the master stock lending agreement entered into between the Purchaser and Barnville Limited on 28 December 1999.

"Stock Lending Transactions" the stock lending transactions relating to the Borrowed Shares originally entered into by Barnville Limited (as the lender) and the Purchaser on 28 December 1999, 3 January 2000, 10 January 2000 and 29 February 2000 pursuant to the terms of the Stock Lending Agreement and as novated from Barnville Limited to the Vendor on 5 May 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Termination of Stock Lending Transactions

Each of the Stock Lending Transactions shall be terminated on the date hereof and in accordance with the terms of the Stock Lending Agreement:

(a) the Purchaser shall forthwith be obliged to redeliver to the Vendor the Borrowed Shares on the Settlement Date; and

(b) subject to the performance of (a) above, the Vendor shall forthwith be obliged to pay to the Purchaser the Cash Collateral Amount,

provided that, each of (a) and (b) above shall be discharged pursuant to clause 4 below.

3. Sale and Purchase

3.1 In conjunction with the termination of the Stock Lending Agreements, the Vendor hereby agrees to sell the Borrowed Shares to the Purchaser as beneficial owner free from all liens, charges, encumbrances and any other security or quasi security interests (together, "Security Interests") (which the Vendor hereby represents and warrants to be the case) and the Purchaser hereby agrees to purchase from the Vendor the Borrowed Shares for the Purchase Price, for settlement on the Settlement Date.

3.2 The consideration for the sale and purchase of the Purchase Shares pursuant to the foregoing shall be US$112,276,243 (the "Purchase Price") and shall be settled in accordance with clause 4 below.

4. Settlement

4.1 On the Settlement Date, the parties hereby agree to the settlement of their respective delivery and payment obligations hereunder through accepting on the Settlement Date the following set-offs:

(a) the set-off of the delivery obligation of the Purchaser under clause 2(a) above against the delivery obligation of the Vendor under clause 3.1 above, in each case in relation to the Borrowed Shares; and

(b) the set off of payment of the Purchase Price by the Purchaser to the Vendor under clause 3 above against the payment of the Cash Collateral Amount by the Vendor to the Purchaser under clause 2(b) above.

4.2 Following such set-offs, the only remaining obligation hereunder shall be that of the Purchaser to pay the Vendor the Net Amount on the Settlement Date.

5. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Jackstones Limited

Name:
Title:
Date:

For and on behalf of
Reka Limited

Name:
Title:
Date:

4.

Appendix

Borrowed Share	Number of Borrowed Shares	Relevant Stock Lending Agreement
Verisign, Inc.	100,000	29 Feb 2000
Conextent Systems, Inc.	125,000	29 Feb 2000
CMGI, Inc.	250,000	3 Jan 2000
Internet Capital Group, Inc.	215,000	3 Jan 2000
Commerce One, Inc.	230,000	28 Dec 1999
Yahoo! Inc.	100,000	3 Jan 2000
Citrix Systems, Inc.	300,000	29 Feb 2000
Excite @Home	450,000	10 Jan 2000
DoubleClick Inc.	200,000	3 Jan 2000

TERMINATION AGREEMENT

THIS AGREEMENT is made on 5 June, 2000

BETWEEN:

(1) Barnville Limited whose registered office is at 19 Mount Havelock, Douglas, Isle of Man ("Barnville"); and

(2) Reka Limited whose registered office is at West Bay Road, P.O. Box 31106 Grand Cayman, Cayman Islands ("Reka").

WHEREAS:

(A) Reka and Barnville entered into a collar transaction with respect to the Basket whereby Barnville sold to Reka the Put Option and Reka sold to Barnville the Call Option.

(B) Each of the parties hereto wish to unwind the Put Option and the Call Option.

NOW IT IS AGREED AS FOLLOWS:

1. Definitions

1.1 In this Agreement, capitalised terms not otherwise defined shall bear the following meanings:

"Basket" means the basket of US technology shares as defined in the Put Option and Call Option confirmation documents.

"Call Option" means the call option sold by Reka to Barnville on 5 May 2000.

"Call Option Unwind Amount" means the amount that Barnville and Reka agree to be the fair market value of the Call Option on the date hereof, being US$14,551,943.

"Net Unwind Amount" means the Call Option Unwind Amount less the Put Option Unwind Amount, being US$2,596,167.

"Put Option" means the put option sold by Barnville to Reka on 5 May 2000.

"Put Option Unwind Amount" means the amount that Barnville and Reka agree to be the fair market value of the Put Option on the date hereof, being US$11,955,776.

2. Unwind of Options

2.1 Barnville and Reka hereby agree to terminate early the Put Option and the Call Option on the date hereof and, as a result, shall owe to the other the following unwind payments:

(a) the Put Option Unwind Amount payable by Barnville to Reka; and
(b) the Call Option Unwind Amount payable by Reka to Barnville.

2.2 Barnville and Reka agree that the Put Option Unwind Amount shall be set-off against the Call Option Unwind Amount, leaving the Net Unwind Amount payable by Reka to Barnville on the date hereof.

3. Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of each of the parties hereto on the date first written above.

For and on behalf of
Reka Limited

.....
Name: CTC Corporation Ltd
Title: Director

For and on behalf of
Barnville Limited

.....
Name: A NICHOLSON
Title: DIRECTOR

TRIPARTITE SET-OFF AGREEMENT

THIS AGREEMENT is made on 5 June 2000

BETWEEN:

(1) Jackstones Limited whose registered office is at 12-14 Finch Road, Douglas, Isle of Man ("Jackstones");

(2) Barnville Limited whose registered office is at 19 Mount Havelock, Douglas, Isle of Man ("Barnville"); and

(3) Reka Limited whose registered office is at West Bay Road, P.O. Box 31106 Grand Cayman, Cayman Islands ("Reka").

WHEREAS:

(A) Under the terms of the Termination Agreement, Reka is liable to pay Barnville an amount equal to the Net Unwind Amount.

(B) Under the terms of the Unwind and Purchase Agreement, Jackstones is liable to pay Reka an amount equal to the Net Amount.

(C) The parties have agreed to the set-off of the two payment obligations subject to and in accordance with the terms of this Agreement.

NOW IT IS AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Net Amount" shall have the same meaning given to it in the Unwind and Purchase Agreement.

"Net Unwind Amount" shall have the same meaning given to it in the Termination Agreement.

"Residual Net Amount" means the Net Amount less the Net Unwind Amount, being US$5,737,624.

"Settlement Date" means 8 June 2000.

"Termination Agreement" means the Termination Agreement entered into between Reka and Barnville on the same date hereof.

"Unwind and Purchase Agreement" means the Unwind and Purchase Agreement entered into between Jackstones and Reka on the same date hereof.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Set-off

2.1 In consideration of Jackstones issuing to Barnville the Promissory Note in accordance with clause 3 below, Barnville hereby consents to Reka setting off the Net Unwind Amount against the obligation of Jackstones to Reka with respect to the Net Amount and accepts that such set-off shall effect a full discharge of Reka's payment obligation with respect to the Net Unwind Amount.

2.2 Reka agrees that such set-off will reduce Jackstones' obligation to pay the Net Amount by the Net Unwind Amount, leaving Jackstones liable to pay Reka the Residual Net Amount on the Settlement Date. In consideration of the Promissory Note, Barnville hereby agrees to make such payment

3. Promissory Note

In recognition of Barnville's consent and acceptance to the foregoing set-off and payment, Jackstones shall issue to Barnville a promissory note for a face amount equal to the Net Amount on terms that provide for payment to Barnville order on demand to that effect.

4. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the parties on the date first written above.

For and on behalf of
Jackstones Limited
Name: C. Mellon & R. Scott
Title: Directors
Date: 29 June 2000

For and on behalf of
Reka Limited
Name: Roy Cairns
Title: Director
Date: 29 June 2000

For and on behalf of
Barnville Limited
Name: A NICHOLSON
Title: DIRECTOR
Date: 29 June 2000

Bank of America N.A. formerly known as NationsBank, N.A.

EQUITY FINANCIAL PRODUCTS TRADE SUPPORT

Bank of America N.A.
9 West 57th Street
New York, N.Y. 10019
Telephone: (212) 583-8020
Fax: (212) 583-8573

NOTICE OF FULL TRADE UNWIND

Date:	June 5, 2000	
Counterparty:	Barnville, Ltd	
Attention:	John Staddon	tel: 44-207-665-8685 fax:44-207-665-1233
From:	Mathew Smith	

Notice of Trade Unwind Payment Date: June 8, 2000 NY-4573

This option transaction was entered into on: May 5, 2000

We unwind an original Sell OTC option transaction with an unwind payment from Bank of America.

Put/Call/Collar	Call Spread	
...ation Date:	9/7/00	
European/American	European	
Underlying:	Tech Basket	
Lower call strike		103,942,452.0000
Upper Call Strike		114,336,697.0000
Unwind Value per share:		5,737,623.3500
Settlement (Cash/Physical/Net Share)		Cash
Shares		1

...of America Pays: (5,737,623.35)

Please Provide Instructions

This notice evidences the full unwind of the option Transaction originally entered into between ourselves and you on 5/5/00. Upon payment of the amounts specified herein, such Transaction shall be considered terminated and absent manifest error, no further payments shall be due by either party.

With Regards,
Matthew Smith

Equity Financial Products Middle Office

BA PSI Q 00077

2355

To: BAS TREASURY Fax: 415-913-5836

EQUITY FINANCIAL PRODUCTS DAILY WIRE REQUEST

Date of Request: 6/8/00

Questions: Deidre Hicks/Bill Donzeiser 212-583-8474/8171

Amount	ReasonForWire	Trade#	TradeDate	Counterparty	Instructions		Approvals
$14,792,404.19	tech basket unwind			Barnville Limited	Bank	Bank of New York	Middle Office Management RKB
USD					City/State	NY,NY	
Foreign Currency Valuation Date:					AccountName	Royal Bank of Scotland	Sr. Management
					ABA#	021-000-018	
					DDA#	890-0051-612	
					FurtherCreditTo	Triskelion Trust Co. Acct: TRISKCO-USD1 Ref: Barnville Ltd.	

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 306

Extract from Triskelion Trust Company Statement

Client Name: Bamville Limited
Account No: TRISKO-USD1
Book currency: USD

Date	Narrative	ID number	Re Reka Limited Debit	Credit
01-Jun-00	Interest	507932	2,331.10	
12-Jun-00	NMS Services	507773	5,737,623.35	
26-Jun-00	Bank Charges	513758		35.45
03-Jul-00	Interest	522279	37,413.80	
27-Jul-00	Quadra Appreciation Fund II LLC			5,777,246.64
27-Jul-00	Bank Charges (Wire fee)			86.16
			5,777,368.25	5,777,368.25
	Closing Account Balance			0.00

We certify that these figures are correct

P Moore .....

A Nicholson .....

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 306

PSI-QUEL 06916

EA Investment Services Limited
C/o Citco Building
Wickhams Cay
PO Box 662
Road Town, Tortola
British Virgin Islands

Reka Limited
West Bay Road
P.O. Box 31106
Grand Cayman
Cayman Islands

Dated effective the 6th day of June 2000

Dear Sirs,

We refer to the 1000 covered call warrants issued by Reka Limited on 5 May 2000 relating to a basket of shares in various US technology companies (the "Warrants"), all of which were subscribed for by EA Investments Limited pursuant to the terms of a subscription agreement of the same date (the "Subscription Agreement"). We also refer to the sale by Reka Limited of the Basket Shares to Jackstones Limited, which we believe took place on 5 June 2000 (the "Sale Date").

Capitalised terms not otherwise defined in this letter shall bear the same meanings given to them in the Subscription Agreement and/or in the Global Warrant.

The purpose of this letter is to confirm that:

(a) on the understanding that the Warrants are now uncovered as a result of such sale to Jackstones Limited, we have immediately exercised our Put Right with respect to all of the Warrants outstanding (all of which continue to be held by EA Investments Limited as of today's date); and
(b) the Issuer Account as of today's date is credited with $50,547,000 (being the sum of the subscription monies for the Warrants) together with $314,514.67 accrued interest (giving a total credit balance of $50,861,514.67).

In the exercise of the Put Right, we hereby deliver all of the Warrants to you and relinquish in full any future entitlement with respect thereto and, in accordance with clause 6(c) of the Subscription Agreement, shall forthwith treat the payment by you for such Warrants as having been satisfied by us debiting in full the total amount currently standing to the credit of the Issuer Account (including accrued interest).

This letter shall be governed by and construed in accordance with English law.

Please indicate your acceptance of the above by signing and returning to us a copy of this letter enclosed for that purpose.

Yours sincerely,

.....
For and on behalf of **EA Investment Services Limited**

Accepted and agreed

Roy Cairns
.....
For and on behalf of **Reka Limited**

CTC CORPORATION Ltd
Director

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 307

EA Investment Services Limited
Citco Building
Wickhams Cay
P.O. Box 662
Road Town, Tortola
British Virgin Islands

Statement of Account
Quarter ended 30 June 2000
USD Client Account
Statement - 001

Reka Limited
West Bay Road
P.O. Box 31106 SMB
Grand Cayman
Cayman Islands

Trade Date	Value Date		Debit	Credit	USD Balance
01-Apr-00	01-Apr-00	Balance Brought Forward			0.00
05-May-00	05-May-00	Transfer Incoming Funds		50,547,000.00	50,547,000.00
31-May-00	31-May-00	Interest to 31-May-2000		0.00	50,547,000.00
06-Jun-00	06-Jun-00	Wire Transfer - A001	50,861,514.67		(314,514.67)
30-Jun-00	30-Jun-00	Interest to 30-June-2000		0.00	(314,514.67)
30-Jun-00	30-Jun-00	Total Debits / Credits	50,861,514.67	50,547,000.00	
		Closing Balance			(314,514.67)

Certified as correct by:

.....

Director, on behalf of
EA Investment Services Limited

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 307

PSI-QUEL 07181

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Jeff Greenstein
Sent: Tuesday, March 28, 2000 10:49 AM
To: Chuck Wilk
Subject: RE: Point

let me know if there is anything I should look at

-----Original Message-----
From: Chuck Wilk
Sent: Tuesday, March 28, 2000 8:24 AM
To: 'John Staddon'
Cc: Jeff Greenstein
Subject: RE: Point

John,

Where do we stand on the final documentation for the POINT trade? I leave for Houston tomorrow and meet with a POINT client on Thursday. Would like to begin the process of him (the client)reviewing the documents (only those applicable to U.S. taxpayer). There is a strong chance that this is the first trade and that Woody Johnson's trades are two and three.

Chuck
-----Original Message-----
From: John Staddon [mailto:john.staddon[redacted]
Sent: Friday, March 24, 2000 10:03 AM
To: ChuckW[redacted]
Cc: Rajan Puri
Subject: Point
Importance: High

Chuck,

Attached is the subscription agreement detailing the basis upon with Euram will purchase the basket warrants issued by Cayman Co. I also attach a form of promissory note which I have introduced for the purpose of IoM Co not having to take a loan from Euram for the cash collateral that it will need to account to Cayman Co for upon novation. This loan (if made) would attract a significant capital charge and so I have instead left the amount as a debt payable by IoM Co to Cayman Co. This works out quite nicely when it comes to payment of the deferred consideration by Delaware LP in that we can effectively set-off the two amounts (given that Cayman Co is a sub of Delaware LP at such time, this should be relatively straightforward - in fact I will refelct it in the sale and purchase agreement when it comes to the payment of the defrred price).

The only remaining document of substance is the collar confirmation (which I will probably split into the put and call constituents). This will be a standard ISDA format. What I would propose is that I produce a memo for your open on Monday iteming each of the documents that have been drafted (including for the collar) and explaining the context in which they each appear. I can send this over to you attaching all of the documents in one swoop which you can then distribute as you see fit.

Let me know if this is ok.

Cheers,

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 309

PSI-QUEL 10844

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Quellos Group, LLC

Meeting Search

Wednesday, June 7, 2000

- **John Staddon** **email** **Brian M. Hanson, Chris M. Hirata**

POINT Documentation - Good morning John,

Now that the unwind docs are fairly settled, we really need to push on getting all the documentation for each trade finished, signed, and filed. Particularly, we need to focus on [redacted] this week. If you could send me final copies of all his docs (opening and closing) signed by the Isle of Man folks, then I will ensure that they are sent to [redacted] and signed. Also, I would like to have a final set of all final docs electronically.

We should then focus on Woody and [redacted] early next week. Give me a call tomorrow if you would like to discuss. Thanks John.

From: Brian Hanson
Sent: Thursday, June 15, 2000 7:29 PM
To: 'raj puri (euram)'
Cc: Christopher Hirata; Eric M. Schuehle
Subject: Purchase agreements

Raj,

I have spoken with the client contact for the investors in Reka and Burgundy and have bought us some time. The expectation on their part is that we will have draft documents for the purchase of Reka and Burgundy by Monday. We are still reviewing the documents for Reka. Specifically we have questions on section 6 regarding the collateral pledge to Barnville. We would like to do some more research on that and then plan to finalize our review sometime tomorrow. Hopefully this will allow you to turn around changes and draft the documents for Burgundy on Monday. Chris plans to talk to John and we should follow up with you shortly after. If you have any questions, please feel free to email me or call me at 206-613-6732.

Thanks for your help,
Brian

Tuesday, January 9, 2001

▪ Joel Latman	mail	Brian M. Hanson
Document wrapup		

Tuesday, January 9, 2001

- **Rajan Puri** mail **Brian M. Hanson**
  Platinum/Reka/Burg docs and doc wrapup

Friday, September 14, 2001

▪ Joel Latman	email	Andy J. Robbins, Brian M. Hanson

- Joel,

The attached spreadsheets contain the journal entries that need to be made for Sidehill LLC and Sidehill, Inc. as they relate to Burgundy Limited and Burgundy I LLC and for Woodglen I LLC and Woodglen I, Inc. as they relate to Reka Limited and Reka I LLC as of December 31st, 2000.

We hope that the entries and their descriptions are self explanatory but to the extent that they are not in any way, please don't hesitate to call either Andy or myself for further explanation.

Also, as I mentioned yesterday, I have the signed tax returns (federal and state) for the above entities in my possession and will send them off to you when things calm down in the skies.

I hope you have a great weekend.

Regards,
Brian

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Brian Hanson
Sent: Monday, June 26, 2000 11:58 AM
To: 'jstaddon@[redacted]'
Cc: Christopher Hirata
Subject: RE: Document revisions

John,

I just spoke with Chuck regarding the split issue. Woodglen Partners is the parent company for Woodglen I, Inc. and Woodglen I, LLC. Woodglen I, LLC hold a .01% interest in Woodglen Partners and Mr. Johnson's attorney's felt it would be in the best interest of the investment partnership for Woodglen I, LLC to make the purchase by itself. A .01% purchase is consistent with the structure of Woodglen Partners and this will allow for an easier tax return filing when it becomes necessary for Woodglen Partners.

Basically, from a client service perspective, it would be best if we could push through the changes with Citco rather than go back to the client and encourage them to buy off on Woodglen I, Inc. making a purchase as well. From their tax standpoint it will ultimately be much cleaner. Please let me know the feasibility of making this happen and what the timing will be.

Also, I haven't heard via email or phone what the status is on the fee wires from Bamville and on the transfer of funds from Bamville to Triskelion for Burgundy and it's subsequent fee wire. Can you give me an update?

Regards,
Brian

-----Original Message-----
From: jstaddon[redacted] [mailto:jstaddon@[redacted]
Sent: Monday, June 26, 2000 9:00 AM
To: Brian Hanson; 'raj puri (euram)'
Cc: Christopher Hirata; Chuck Wilk; Eric M. Schuehle
Subject: Re: Document revisions

Brian,

We are slightly confused at this end as to what the necessary split should be between the Woodglen entities. Under the [redacted] structure, Chuck resolved upon having a 99% and 1% holding structure (the 99.9/0.1 ratio being considered too tenuous) which necessitated splitting Bamville's holding between [redacted] and [redacted] (992 and 8 respectively). I assumed that the same ratio would be appropriate for the other tranches and so that is why we prepared a purchase agreement between Bamville and Woodglen I, Inc. and factored this into the unwind documents accordingly. My preference would be to remain consistent, not least because I do not want to have to go to the Cayman Islands guys again with further revisions to the unwind documents (which they are currently holding pending our instructions to execute). I also explained when we first broached the subject of the re-execution exercise as to why we needed a separate purchase agreement between Bamville and Woodglen I, Inc and so its removal from the list of documents to be executed would I suspect cause more questions than I would care to have to field. Perhaps you could seek clarification from Chuck on this.

Otherwise the revisions are gratefully received.
Regards,
John

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EXHIBIT #66 - FN 315

PSI-QUEL 10367

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Brian Hanson <BrianH@[redacted]>
To: 'john staddon (euram)' <jstaddon@[redacted]>; 'raj puri (euram)' <rajan.puri@[redacted]>
Cc: Christopher Hirata <chrish[redacted]>; Chuck Wilk <ChuckW[redacted]>; Eric M. Schuehle <erics@[redacted]>
Sent: Friday, June 23, 2000 1:50 AM
Subject: Document revisions

> John and Raj,
>
> Attached are revisions to the documents for Reka Limited as we see fit. One
> major item to note is that the purchase agreement between Woodglen I, Inc.
> and Barnville Limited is not necessary and therefore the document can be
> disregarded. Since EurAm Corporate Services Limited holds one share and
> since the allocation percentage is 99.9% and .01% it works out perfect to
> have Woodglen I, Inc. purchase that share from them. Another major change
> is with the purchase agreement between Woodglen I, Inc. and EurAm CSL.
>
> We believe that clause 6.7 should be removed from the document. You have
> already removed the promissory note definition and therefore all future
> reference to the note should also be removed. This should indeed be the
> case as the note is between Reka and Barnville not Reka and EurAm CSL.
>
> I will not detail all minor grammatical and punctuation changes (although
> there are some) but here are the other changes in bullet form:
>
> Purchase Agreement - Woodglen I, Inc./EurAm CSL
> * Prepaid interest amount = $3,470
> * Consideration for sale amount = $103,942
> * Remove section 6.7
>
> Purchase Agreement - Woodglen I, LLC/Barnville
> * Prepaid interest amount = $3,466,248
> * Purchase shares = 1,000 shares
> * Consideration for sale amount = $103,833,510
>
> Short Call Option Sale - Reka/Barnville
> * No changes necessary
>
> Long Put Option Purchase - Reka/Barnville
> * Change option premium language to read: "...resulting in a net
> premium payment due by the Buyer to the Seller of $2,380,282 on the trade
> date and $720,905 on May 22, 2000.
>
> Promissory Note
> * No changes necessary
>
> Novation Agreement
> * Remove tracking changes
>
>
> <<WglenINCSubscriber.doc>> <<WglenLLCBarnville.doc>>
> <<CallBarnvilleReka.doc>> <<PutBarnvilleReka.doc>> <<Promissory Note.doc>>
> <<NovationReka.doc>>
>
>
> We have made all of the changes noted above already. To the extent that
> further changes need to be made or that changes we have made are

> inconsistent with your thoughts, please modify accordingly (upon
> conference). Any and all agreed upon changes made need to make their way
in
> to the documents for Burgundy as well.
>
> Finally, you had asked Chris some time ago for information about an
> additional note amount required to provide sufficient basis in Reka. We
> estimate this amount to be $32,000,000. Drafts of the loan/fixed income
> docs using this figure (with the 99.9% and .1% breakdown) will be
sufficient
> for our review.
>
> Thanks for all of you help!
>
> Regards,
> Brian and Team
>
> P.S. - what's the deal with the pink and blue lines that often appear in
the
> docs? What happed to good old fashioned black writing?!
>

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Rajan Puri [rajan.puri@[redacted]
Sent: Thursday, July 13, 2000 9:00 AM
To: 'Christopher Hirata'; Rajan Puri
Cc: John Staddon
Subject: RE: Document corrections

Chris

Sign-off time....

Reka / Woodglen
a) Prom Note - I have chased Ann for this...you will get it faxed to you today, with original to follow in the mail.

b) Purchase Agreement (B'ville - W'glen Inc) - I think it is correct that you have NOT got this...the TWO seller / buyer relationships are:
i) B'ville - W'glen LLC (1,000 shares) - see (c) below
ii) ECS Ltd - W'glen Ltd (1 share) - you do not mention this as o/s.

c) I'm happy with your proposed changes to:
-Global Call Warrant document
-Subscription Agreement
-Purchase Agreement (B'ville - W'glen LLC)
-Put option
-Termination Agreement
-Tripartite set-off

Burgundy / Sidehill
a) Prom Note - I have chased Ann for this...you will get it faxed to you today, with original to follow in the mail.

b) I'm happy with your proposed changes to:
-Global Call Warrant document
-Subscription Agreement
-Termination Agreement
-Tripartite set-off

Give me a call later
Regards
Raj

-----Original Message-----
From: Christopher Hirata [mailto:[redacted]
Sent: Wednesday, July 12, 2000 4:23 PM
To: 'rajan.puri[redacted]
Subject: FW: Document corrections

> -----Original Message-----
> From: Christopher Hirata
> Sent: Wednesday, July 12, 2000 8:21 AM
> To: 'rajan.puri[redacted]
> Subject: FW: Document corrections
>
>
>
> -----Original Message-----

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 315

PSI-QUEL 11242

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Rajan Puri [rajan.puri[redacted]]
Sent: Friday, July 14, 2000 10:22 AM
To: 'chrish@[redacted]'
Subject: FW: Quadra's outstanding information requests...

Chris - FYI - Good old IoM guys...the DHL package should be with you on Monday.

Later
Raj

-----Original Message-----
From: Paul Moore [mailto:Paul.Moore[redacted]
Sent: Friday, July 14, 2000 3:32 PM
To: 'Rajan Puri'
Subject: RE: Quadra's outstanding information requests...

All these matters have now been dealt with.
We have today sent following by DHL to Quadra:-

1.revised promissory note
2.M&A +cert.of inc+mins for Torens & Burgundy
3.Original contribution agreement Barnville/Reka
4.Termination agreement-revised Tranch 2 Barnville/Reka

regards
paul

-----Original Message-----
From: Rajan Puri [SMTP:rajan.puri[redacted]
Sent: 14 July 2000 10:10
To: 'paul.moore[redacted]
'ann.nicholson@[redacted]
Subject: Quadra's outstanding information requests...

Paul / Ann

Further to our conversations yesterday, I thought it wise to send you a checklist of the items Quadra consider to be outstanding re the Reka Ltd (tranche 2) Point transaction.

a) Promissory Notes
ANN - I sent you two yesterday...one issued to Reka Limited and the other to Burgundy Limited. Please ignore the one to Burgundy...all of the Burgundy revised documents will be executed later next week.

Re the one to Reka for USD103.9mio - please execute (it replaces the incorrect one you currently have on file for USD200+mio)...fax a copy to Chris Hirata at Quadra, and courier an original. Please remember to

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 315

date it
with the SAME date as on the note!

b) Incorporation documents for Torens Limited and Burgundy Limited
Quadra are producing document 'bibles' for each of their clients; they
currently have (poor quality) fax copies of the relevant incorporation docs
for the two companies above, but require 'cleaner' versions for their
bibles. Is it possible to courier Hirata photcopies of the following docs
for both companies please:
-Certificate of Incorporation;
-Memo&Arts of Association; and
-Minutes from first Directors Meeting.

c) Barnville / Reka Limited Contribution Agreement
Quadra have received a faxed copy of the following executed contribution
agreement between Barnville and Reka (signed by BOTH parties):
<<Contribution 4-6-00.doc>>

However, he does not appear to have received an original in the mail!

Can you dig through your files please, and send him an original signed
version as part of the courier package.

d) Termination Agreement
As part of the Unwind of the Tranche2, a Termination Agreement was signed by
the following - Woodglen Inc, Woodglen LLC, Barnville Ltd, Reka Limited and
Euram Corporate Services Ltd, to allow various netting arrangements. This
unwind process has now been scaled back (due to personal tax considerations
of the end-client) so that the termination agreement should simply refer to
the unwind of the call and put options executed between Barnville and Reka.

Therefore, rather than cross-out a number of the signatures on the original
5-way Agreement, can you simply re-execute on behalf of Barnville, the
following signature page please:

<<Termination Agreement.doc>>

Thank you!

PAUL - I will courier the incorporation docs for European American Investment Advisory Services Limited to you today.

Cheers
Raj << File: Contribution 4-6-00.doc >> << File: Termination Agreement.doc >>

= Redacted by the Permanent Subcommittee on Investigations

From: John Staddon [john.staddon@[redacted]
Sent: Friday, September 29, 2000 11:02 AM
To: Christopher Hirata; BrianH[redacted]
Cc: ChuckW[redacted]; Rajan Puri
Subject: RE: Point

Importance: High


Novation.doc


Unwind.doc

Chris & Brian,

Attached is a form of Unwind Agreement by which I think we can document the close out of the novated stock loans and associated repayment of the cash collateral (or as is most likley part repayment) by Barnville to Jackstones. As you will see, I have completely eliminated any residual cash collateral obligation under the Stock Loan Agreements by having Barnville execute promissory notes in favour of Jackstones.

One matter of detail which we should think about is the issue of timing and how it is that Jackstones will (or at least it would in the normal course) need to receive the cash from Barnville before it can purchase the stocks and then return it to the Delaware LLC. However the payment by Barnville to Jackstones is a repayment of cash collateral which logically should only be paid once the Borrowed Securities have been redelivered (otherwise it fails to perform the function of collateral). What I wonder is whether we can arrange with BoA for a simultaneous delivery of stock and payment. Is this what is anticpated in any event?

I also attach a revised form of Novation Agreement which provides a bit more specifics on the treatment of the cash collateral obligation. The new clause 3 is I think necessary in order to explain why LLC would be prepared to allow Barnville to retain the original cash collateral pot albeit subject to keeping the obligation to return it upon the due redelivery of the Borrowed Securities.

As regards the accountant's report, we have arranged to speak with the firm on Monday to discuss what it is that we are looking for them to do for us.

One other item, please note that it will not be Claycroft that will be the 1% owner of the LLC, but we shall instead be setting up another IoM company for this purpose. Its name and details should also be available on Monday.

Speak to you soon,

John

-----Original Message-----
From: Christopher Hirata [mailto[redacted]
Sent: 28 September 2000 18:11
To: 'John Staddon'
Subject: RE: Point

John,

One other item: can you come back to us tomorrow with a response on the issue regarding the accountant's verification of the portfolio's original

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 315

PSI-QUEL 09541

NOVATION AGREEMENT

THIS AGREEMENT is made as of the

BETWEEN:

(1) Seller L.P. (the "Original Party");

(2) Sample Limited (the "New Party"); and

(3) Example Limited (the "Remaining Party")

WHEREAS:-

(A) The Original Party lent to the Remaining Party the Contribution Shares (as defined below) under certain stock lending transactions documented under stock lending agreements entered into on (the "Stock Lending Agreements").

(B) The Original Party wishes to contribute the Contribution Shares to the New Party in exchange for shares in the New Party but, rather than recalling the Contribution Shares from the Remaining Party in accordance with the Stock Lending Agreements and then delivering them to the New Party, the Original Party has proposed that its rights and obligations under the Stock Lending Agreements insofar as they relate to the Contribution Shares be transferred and assigned to the New Party, such that the New Party then becomes entitled to call for the return of the Contribution Shares from the Remaining Party.

(C) The New Party has agreed to take the Contribution Shares from the Original Party subject to the applicable Stock Lending Agreement with the Remaining Party.

(D) With effect from the date hereof, the parties hereto have therefore agreed that, subject to the terms of this Agreement: -

  (i) the Original Party shall be released and terminated by novation from its obligations under the Stock Lending Agreements insofar as they relate to the Contribution Shares; and

  (ii) the New Party shall assume all of the obligations of the Original Party in respect of the Stock Lending Agreements insofar as they relate to the Contribution Shares.

(E) With respect to the collateralization of the portfolio as referred to in the Stock Lending Agreement, the full collateral repayment obligation remains with the Original Party.

In consideration of the mutual promises and releases contained herein, it is hereby agreed as follows: -

1. In this Agreement, capitalised terms not otherwise defined shall bear the following meanings:

"Cash Collateral Obligation" means the obligation of the Original Party under the Stock Lending Agreements prior to the execution of this Agreement to repay to the Remaining Party the cash collateral amount allocable to the Contribution Shares (the **"Cash Collateral Amount"**), such amount having originally been transferred by the Remaining Party to the Original Party at the inception of the applicable stock lending transactions.

"Contribution Share(s)" means the shares set out in the Schedule hereto.

"Effective Date" means [ ] 2000.

~~**"Market Value"** means, with respect to a Contribution Share, the official closing price of that share on the Effective Date~~

2. With effect on and from the Effective Date:-

(a) the New Party undertakes to the Remaining Party to perform, and assumes by novation, all the obligations due to be performed by the Original Party under the Stock Lending Transactions insofar as they relate to the Contribution Shares as if it were an original party thereto, save in relation to the Cash Collateral Obligation which shall remain an obligation of the Original Party;

(b) the Remaining Party hereby releases the Original Party from its obligations and liabilities under the Stock Lending Agreements insofar as they relate to the Contribution Shares save in relation to the Cash Collateral Obligation which shall remain an obligation of the Original Party;

(c) the Remaining Party hereby undertakes to the New Party to perform and assumes by novation obligations and liabilities in favour of the New Party identical to such of its obligations and liabilities as would arise in favour of the Original Party under the Stock Lending Agreements insofar as they relate to the Contribution Shares; and

(d) the Original Party releases the Remaining Party from its obligations and liabilities to the Original Party under the Stock Lending Agreements insofar as they relate to the Contribution Shares and the Original Party hereby relinquishes all of its rights, interests, duties, claims and benefits thereunder.

3. In consideration of the Original Party retaining the Cash Collateral Amount, the Original Party hereby undertakes to the New Party that if in the event that the Remaining Party fails to redeliver the Borrowed Securities to the New Party in accordance with the Stock Lending Agreements, then the Original Party shall

forthwith pay the New Party the Cash Collateral Amount, whereupon the New Party shall assume the Cash Collateral Obligation as if it were an obligation novated to it hereunder. The Remaining Party hereby consents to such a payment and assumption in such circumstances.

~~3~~4. Each of the Remaining Party and the Original Party represents and warrants to the New Party that (i) it or he, as the case may be, has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its or his, as the case may be, legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

~~4~~5. The New Party represents and warrants to the Remaining Party and the Original Party that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

~~5~~6. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

~~6~~7. This Agreement shall be governed and construed in accordance with English law.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed the day and year first before written.

Seller L.P.

.....
Name:
Title:
Date:

Sample Limited

.....
Name:
Title:
Date:

Example Limited

.....
Name:
Title:
Date:

Schedule

Contribution Shares

Share	Number of Shares in the Basket	Relevant Stock Lending Agreement	Value as at Stock Lending Date	Value as at Effective Date
Verisign, Inc.	100,000	29 Feb 2000	24,606,250	13,608,330
Conextent Systems, Inc.	125,000	29 Feb 2000	12,101,563	6,404,075
CMGI, Inc.	250,000	3 Jan 2000	40,805,000	16,175,250
Internet Capital Group, Inc.	215,000	3 Jan 2000	43,000,000	8,437,073
Commerce One, Inc.	230,000	28 Dec 1999	28,750,000	12,952,289
Yahoo! Inc.	100,000	3 Jan 2000	23,750,000	12,520,920
Citrix Systems, Inc.	300,000	29 Feb 2000	30,918,750	13,453,980
Excite @Home	450,000	10 Jan 2000	18,112,500	7,984,935
DoubleClick Inc.	200,000	3 Jan 2000	26,800,000	12,405,600
Totals			**248,844,063**	**103,942,452**

UNWIND AGREEMENT

THIS AGREEMENT is made on this [ ]th day of [ ] 2000

BETWEEN:

(1) Jackstones Limited of 12-14 Finch Road, Douglas, Isle of Man (the "Purchaser"); and

(2) [ ] Limited of [ ], Delaware (the "Vendor").

WHEREAS:

(A) The Borrowed Shares were originally lent by Barnville Limited to the Borrower pursuant to the Stock Lending Transactions.

(B) Barnville under the terms of the Novation Agreement assigned to the Lender all of its rights and entitlements under the Stock Lending Transactions with respect to the Borrowed Shares.

(C) Also in accordance with the Novation Agreement, Barnville retained the cash collateral originally transferred by Jackstones to Barnville under the Stock Lending Transactions with respect to the Borrowed Shares on condition that Barnville would remain liable to return such cash collateral to the Borrower upon and subject to the redelivery by the Borrower of the Borrowed Shares to the Lender as and when the Lender calls for the same to be redelivered pursuant to the terms of the Stock Lending Transactions.

(D) The Lender wishes to receive back from the Borrower the Borrowed Shares and the parties have agreed to effect the same in accordance with the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Borrowed Shares" means the shares specified in the Appendix hereto.

"Novation Agreement" means the novation agreement entered into on [ ] 2000 between Barnville Limited, the Purchaser and the Vendor.

"Settlement Date" means [ ] 2000.

"Stock Lending Agreement" means the master stock lending agreement entered into between the Purchaser and Barnville Limited on 28 December 1999.

"Stock Lending Transactions" the stock lending transactions relating to the Borrowed Shares originally entered into by Barnville Limited (as the lender) and the Purchaser on [28 December 1999, 3 January 2000, 10 January 2000 and 29

February 2000] pursuant to the terms of the Stock Lending Agreement and as novated from Barnville Limited to the Vendor on [ ] 2000.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Termination of Stock Lending Transactions

Each of the Stock Lending Transactions in so far as they relate to the Borrowed Shares shall be unwound and terminated on the date hereof and in accordance with the terms of the Stock Lending Agreement the Borrower shall forthwith be obliged to redeliver to the Lender the Borrowed Shares on the Settlement Date. Upon such redelivery, all the obligations of the Borrower to the Lender under the Stock Lending Transactions shall have been discharged in full.

3. Return of Cash Collateral

3.1 Upon the redelivery of the Borrowed Shares by the Borrower to the Lender in accordance with Clause 2 above, Barnville shall pay to the Borrower $[ ], being the agreed aggregate market value of the Borrowed Shares as of [ ], New York time on today's date, and such payment shall reduce the Cash Collateral Obligation by an equivalent amount.

3.2 If and to the extent that following the reduction to the Cash Collateral Obligation in accordance with the foregoing, an amount remains owing by Barnville to the Borrower with respect to the Cash Collateral Obligation (such amount being the "Balance"), then Barnville shall, in full and final discharge of the Cash Collateral Obligation, execute in favour of the Borrower a promissory note having a face amount equal to the Balance and bearing interest at prevailing money market rates and otherwise on terms and in a form reasonably satisfactory to the Borrower.

4. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Jackstones Limited

Name:
Title:
Date:

For and on behalf of
Barnville Limited

3.

Name:
Title:
Date:

For and on behalf of
[ ] LLC

Name:
Title:
Date:

Appendix

Borrowed Share	Number of Borrowed Shares	Relevant Stock Lending Agreement
Verisign, Inc.	100,000	29 Feb 2000
Conextent Systems, Inc.	125,000	29 Feb 2000
CMGI, Inc.	250,000	3 Jan 2000
Internet Capital Group, Inc.	215,000	3 Jan 2000
Commerce One, Inc.	230,000	28 Dec 1999
Yahoo! Inc.	100,000	3 Jan 2000
Citrix Systems, Inc.	300,000	29 Feb 2000
Excite @Home	450,000	10 Jan 2000
DoubleClick Inc.	200,000	3 Jan 2000

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Larry Scheinfeld
Sent: Thursday, October 26, 2000 7:33 AM
To: 'Joel Latman'
Cc: Andrew J Robbins; Chuck Wilk
Subject: RE: [Fwd: Reka/Burgundy documents]

I spoke to Chuck yesterday. We are in agreement that the best plan is the one we discussed with the contribution and subsequent loanback. He tried to call you yesterday to finalize. Hopefully, you can talk today and then you can run it past Ira for his input. I believe this is the best solution. Talk to you soon, Larry

-----Original Message-----
From: Joel Latman [mailto:[redacted]
Sent: Thursday, October 26, 2000 8:21 AM
To: Larry Scheinfeld
Subject: [Fwd: Reka/Burgundy documents]

Larry

forgot to copy you on this.

Joel

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 315

From: Chuck Wilk
Sent: Tuesday, June 27, 2000 4:31 PM
To: Brian Hanson
Cc: Christopher Hirata
Subject: RE: Note Docs

we went over this before. The additional borrowing is to secure the warrant indenture which states that at any time if the warrant is not "covered" the partnership must have a multiple of the shortfall in other collateral. The borrowings injected in to the partnership by the investor is to secure that "uncovered" position. Later the investor will contribute the note into the partnership and all debt including the purchase money debt will be inside the partnership.

-----Original Message-----
From: Brian Hanson
Sent: Tuesday, June 27, 2000 1:22 PM
To: Chuck Wilk
Subject: Note Docs

Chuck,

I talked to Staddon today and he said he would like an email explaining rationalization/argumentation for the additional note as well as a sketch of how the proceeds from the note will flow through. Chris thought you guys might have already hammered this out and that an email of this type might be unnecessary. Please let me know how to proceed as he has held up the process of drafting the docs until he hears back from us.

Thanks,
Brian

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Rajan Puri [rajan.puri@[redacted]
Sent: Thursday, July 13, 2000 12:06 PM
To: 'chrish@[redacted]
Subject: Update on Docs


WglenINCSubscriber.doc


BarnvillePromissory Note.doc


RekaPromissoryNote.doc


WoodglenPromissoryNote.doc

Chris

Here goes...

i) Purchase agreement re ECS and Woodglen Inc...here's a 'clean' electronic copy if you need to make any revisions
<<WglenINCSubscriber.doc>>

We have executed a copy on behalf of ECS Limited...I am about to put it on the fax machine to you, and will send the original by courier to you tomorrow, once you confirm no material changes are required.

ii) $103.9mio Promissory Note from Barnville to Reka - IoM guys will fax you a copy and courier the original...you will have the faxed version in time for your open tomorrow.

iii) IoM guys will courier you good quality p'copies of the Certificate of Incorporation, Memo & Arts, and first Board Meeting Minutes for Torens Ltd and Burgundy Ltd tomorrow, for inclusion in your client bibles. (I will request Citco to do the same for Reka Limited this evening). As part of the same package, IoM will send you a signed original of the Barnville / Reka contribution agreement.

iv) Promissory Note structure re additional basis creation...here are the draft notes, as discussed:
<<BarnvillePromissoryNote.doc>> <<RekaPromissoryNote.doc>>
<<WoodglenPromissoryNote.doc>>

If the Note does not work for the Woodglen basis 'contribution' to Reka element, let me know what you want in its place, and we will attempt to document the revised game plan.

ok...speak to you later
Cheers
Raj

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 320

PSI-QUEL 10534

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: John Staddon [john.staddon@[redacted]
Sent: Monday, July 17, 2000 3:01 AM
To: chrish@qcm.com
Subject: Promissory note

Importance: High

Chris,

I got your message about how you think the additional capital injection into Reka is to be structured. The trouble is that I do not see how this can work. I had assumed that we would be having a circular funding pattern between the Woodglen entities, Reka and Barnville - such that no cash would need to actually pass i.e. purely book entry. If I have understood you correctly, you are in fact looking for the Reka capital to be invested in Euram fixed income instruments, the proceeds for which presumably could then be invested by Euram in Barnville paper. Unlike the pure book entry affair that I had originally understood, this would involve actual funding, balance sheet utilisation and a regulatory capital cost, somtehing which we can not accommodate in the amounts required for these structures.

I hope I have misunderstood matters, but lets speak when you get in.

John

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 321

PSI-QUEL 09556

From: Brian Hanson
Sent: Tuesday, August 01, 2000 10:03 AM
To: 'Rajan Puri'
Cc: Christopher Hirata
Subject: RE: Statements

Chris and I don't really get a long. Just kidding. Actually, I was being an overachiever with my task list. Thanks for getting back to me though.

Brian

-----Original Message-----
From: Rajan Puri [mailto:rajan.puri@[Redacted by the Permanent Subcommittee on Investigations
Sent: Tuesday, August 01, 2000 2:18 AM
To: 'Brian Hanson'; Rajan Puri
Cc: Christopher Hirata
Subject: RE: Statements

Brian - I sent the draft Triskelion statment to Chris on Friday, and the warrant premium statment to him yesterday morning. Don't you guys talk?!

CHRIS - question for you re the docs for increasing the basis in Reka / Burgundy...what do you want to use as the effective date (bear in mind that if we need to back-date it significantly...ie to BEFORE the date of the unwind...we may have a problem with the Cayman guys)

Later
Raj

-----Original Message-----
From: Brian Hanson [mailto:BrianH@ Redacted by the Permanent Subcommittee on Investigations
Sent: Tuesday, August 01, 2000 2:02 AM
To: 'raj puri (euram)'
Cc: Christopher Hirata
Subject: Statements

Raj,

What's the deal with all of our statements? I'm talking about the warrant premium EurAm statements as well as the Triskelion deposit account statements. Maybe I'm just out of the loop on this one but I thought we would be getting them soon (as in last week.) Let me know the status on this. Until then, you are not "da man"!!

Thanks,
Brian

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 322

PSI-QUEL 10511

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Rajan Puri [rajan.puri@[redacted]
Sent: Tuesday, August 01, 2000 4:57 AM
To: 'chrish@[redacted] 'brianh@[redacted]
Cc: John Staddon
Subject: Draft Docs for Increasing Basis in Reka / Burgundy


BarnvillePromissory Note.doc


WoodglenPromissoryNote.doc

Guys

I attach draft Promissory Notes for your review:
i) issued by Barnville in favour of Reka; and
ii) issued by Woodglen in favour of Barnville.

<<BarnvillePromissoryNote.doc>> <<WoodglenPromissoryNote.doc>>

A couple of things for you to consider:
i) in the Barnville Note, there is a clause which prevents Bville having to settle the Note in favour of Reka BEFORE Bville is credited with the proceeds of the Woodglen Note. There is no such offset reference re the investment in Reka contained in the Woodglen Note.

ii) we are awaiting confirmation from the Caymans guys as to:
a) an acceptable form of documentation to record the Woodglen investment in Reka; and
b) the dating options we have (since I presume the flows will simply be book entry, Cayman are likely to be uncomfortable with back-dating entries...does this cause you a problem?)

iii) Once you are happy with the drafts, the docs will be cloned for Sidehill - Barnville - Burgundy, fo rthe additional basis of $[60mio].

Cheers
Raj

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Rajan Puri [rajan.puri@[redacted]
Sent: Tuesday, August 15, 2000 8:59 AM
To: 'chrish@[redacted]'; 'brianh@[redacted]
Cc: John Staddon
Subject: FW: Appointment of Woodglen I, Inc.

Guys

Roy and I hav just spent approx 30mins on the phone talking through the issues re appointment of Woodglen...it seems that he was missing one vital piece of information when he suggested to you that ECS Ltd appoint Woodglen - that is, ECS Ltd sold its subscriber share to woodglen I Inc on 5 May 2000, as part of the Woody tranche!

As a result, we have a problem...

i) Citco (as a director of Reka Ltd) will NOT be party to an attempt to back-date the appointment of Woodglen - this has come directly from Nick Braham (Citco Global Internal Counsel).

ii) The appointment of Woodglen as a co-director can be made via ordinary resolution by the current shareholders (ie Woodglen Inc, LLC) and ratified by the Board of directors (ie Citco), but such ratification can only happen real time (ie now)...which is no good to you.

iii) It seems the only compromise Citco would be willing to make on this would be a resolution that alluded to the intention of appointing Woodglen as a director in early May, which did not happen due to an administrative oversight...however, this note and the associated appointment could only be signed as effective now; therefore, Roy's view is that such a resolution would be self-defeating if it was ever subject to review.

iv) Unfortunately, Citco's stance also has ramifications for the attempt to increase the basis via the capital injection by Woodglen into Reka...Citco will not permit the execution of back-dated documents, particularly where the documents have such a material impact on the economics of the structure.

Finally, Roy mentioned to me that he was surprised that (as disclosed to him during your conversations with him) the "other SPV providers in the IoM would be willing parties to such a back-dating exercise"...I didn't push him on this, and do not know whether he was told the identity of the IoM guys, but I'm sure that you do not need reminding how sensitive this whole exercise is and therefore the need for complete discretion.

I'm in the office all afternoon if you want to talk through the next steps
Regards
Raj

-----Original Message-----
From: Brian Hanson [mailto:Brianh[redacted]
Sent: Thursday, August 10, 2000 6:32 PM
To: 'raj puri (euram)'; 'roy cairns (citco)'
Cc: Christopher Hirata
Subject: FW: Appointment of Woodglen I, Inc.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 324

PSI-QUEL 13288

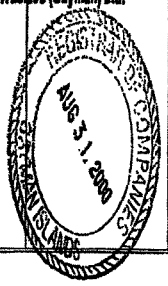
REGISTER OF DIRECTORS AND OFFICERS
OF
REKA LIMITED

NAME	ADDRESS	OFFICE	DATE ELECTED	DATE RESIGNED/ REMOVED	DATE REGISTRAR NOTIFIED	
					APPOINTMENT	RESIGNATION
CFC Corporation Ltd.	P.O. Box 31106 SMB West Bay Road Grand Cayman Cayman Islands	Director	2nd May, 2000		5th May, 2000	
CSS Corporation Ltd.	P.O. Box 31106 SMB West Bay Road Grand Cayman Cayman Islands	Secretary	2nd May, 2000		5th May, 2000	
Woodglen I, Inc.		Director	29th August, 2000		29th August, 2000	

We hereby certify this to be a true copy of the original this day of , 20

Please Stamp and Return
Citco Trustees (Cayman) Ltd.

CFS Corporation Ltd.
Secretary / Asst. Secretary



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 325

PSI-QUEL 07116

Woodglen I LLC
630 Fifth Avenue, Suite 1510
New York, New York 10111

Cash Contribution

$39,960,000 5 May 2000

Woodglen I LLC pledges to give to Reka Limited a cash contribution in the amount of $39,960,000. This amount is under no circumstances to be considered a debt obligation and therefore will not be required to be repaid.

Signed for and on behalf of Woodglen I LLC:

Signature of Authorized Representative

Joel Lastman

Name

Treasurer, Woodglen I, Inc Managing Member

Title

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 326

PSI-QUEL 07132

Woodglen I, Inc.
630 Fifth Avenue, Suite 1510
New York, New York 10111

Cash Contribution

$40,000 5 May 2000

Woodglen I, Inc. pledges to give to Reka Limited a cash contribution in the amount of $40,000. This amount is under no circumstances to be considered a debt obligation and therefore will not be required to be repaid.

Signed for and on behalf of Woodglen I, Inc.:

Signature of Authorized Representative

JOEL LATHAN

Name

TREASURER

Title

REKA LIMITED

(the "Company")

WRITTEN RESOLUTION OF THE SOLE DIRECTOR OF THE COMPANY PASSED BY UNANIMOUS CONSENT ON MAY 5TH 2000

The undersigned, being the Sole Director of Reka Limited, (the "Company"), hereby consent to the adoption of the following resolutions:

WHEREAS:

A. On May 5th Woodglen I LLC made a capital contribution of $39,960,000 to the Company; and

B. On May 5th Woodglen I, Inc made a capital contribution to the Company of $40,000 to the Company; and

C. The Director wishes to record the capital contributions in the books of the Company as share premium.

NOW BE IT HEREBY RESOLVED as follows:

1. To record the capital contributions of $39,960,000 and $40,000 made by Woodglen I LLC and Woodglen I, Inc on May 5th 2000 in the books of the company as a contribution of to the share premium account.

Adopted and signed this 5th, day of May 2000.

Roy Cairns

CTC Corporation Ltd.
Sole Director

PROMISSORY NOTE

$39,960,000 May 5, 2000

FOR VALUE RECEIVED, Woodglen I LLC, (the "Borrower"), hereby promises to pay to the order of Barnville Limited (the "Company"), in lawful currency of the United States of America in immediately available funds, the principal sum of $39,960,000 on May 5, 2035 or earlier with the consent of the Company.

The Borrower also promises to pay interest on the unpaid principal amount of this Note in like money from the date hereof until paid at a rate of 4.00% on the basis of the actual number of days elapsed and a 360 day year.

This Note is not endorsable and may only be settled early with the prior written consent of both parties.

This Note shall be governed by, and construed in accordance with, the laws of the Isle of Man.

Barnville Limited

By: _____
Name: PAUL MOORE
Title: DIRECTOR

Accepted by:

Woodglen I LLC

By: _____
Name: JOEL LATHAM
Title: TREASURER, WOODGLEN I, INC
MANAGING MEMBER

CANCELLED 2000 NOVEMBER

CANCELLED 30 NOVEMBER 2000

PROMISSORY NOTE

$40,000 May 5, 2000

FOR VALUE RECEIVED, Woodglen I, Inc., (the "Borrower"), hereby promises to pay to the order of Barnville Limited (the "Company"), in lawful currency of the United States of America in immediately available funds, the principal sum of $40,000 on May 5, 2035 or earlier with the consent of the Company.

The Borrower also promises to pay interest on the unpaid principal amount of this Note in like money from the date hereof until paid at a rate of 4.00% on the basis of the actual number of days elapsed and a 360 day year.

This Note is not endorsable and may only be settled early with the prior written consent of both parties.

This Note shall be governed by, and construed in accordance with, the laws of the Isle of Man.

Barnville Limited

By: _____
Name: MAIL MOCKS
Title: DIRECTOR

Accepted by:

Woodglen I, Inc.

By: _____
Name: JOEL LAITMAN
Title: TREASURER

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 327

PSI-QUEL 07135

BARNVILLE LIMITED

USD$40,000,000

DEBENTURE

FOR VALUE RECEIVED, Barnville Limited, (hereinafter called the "Company") hereby promises to pay to the order of Reka Limited ("Reka") the principal amount of $40,000,000 plus accrued interest on May 5, 2035 (the "Repayment Date") or earlier upon acceleration in accordance with Article III, Section 3.8 below. All payments of principal shall be made in lawful money of the United States of America. Whenever any amount expressed to be due by the terms of this Debenture is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day. As used in this Debenture, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of London, England are authorized or required by law or executive order to remain closed. The Repayment Date is subject to extension pursuant to agreement by both the Company and Reka. The following terms shall apply to this Debenture:

ARTICLE I. INTEREST

The following method shall be used in the calculation of interest:

1.1 CALCULATION OF INTEREST. The Company also promises to pay interest on the outstanding principal of this Debenture in like money from the date hereof at a rate of 4.00% on the basis of the actual number of days elapsed and a 360 day year.

ARTICLE II. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

2.1 FAILURE TO PAY PRINCIPAL. The Company fails to pay the principal hereof when due, whether at maturity, upon acceleration or otherwise;

2.2 BREACH OF REPRESENTATIONS AND WARRANTIES. Any representation or warranty of the Company made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of Reka with respect to this Debenture and such effect substantially diminishes the value of Reka's investment in the Company;

2.3 RECEIVER OR TRUSTEE. The Company shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed;

2.4 JUDGMENTS. Any money judgment, writ or similar process shall be entered or filed against the Company or any of its property or other assets for more than $500,000, and shall remain unvacated,

unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by Reka, which consent will not be unreasonably withheld;

2.5 BANKRUPTCY. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company.

Then, upon the occurrence and during the continuation of any Event of Default specified in Section 2.1, 2.2, or 2.4, at the option of Reka, and upon the occurrence of an Event of Default specified in Section 2.3 or 2.5, this Debenture shall become immediately due and payable and the Company shall pay to Reka, in full satisfaction of its obligations here under, an amount equal to the then outstanding principal amount of this Debenture plus accrued interest (the Default Amount).

ARTICLE III. MISCELLANEOUS

3.1 FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of Reka in the exercise of any power, right or privilege here under shall operate as a waiver there of, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise there of or of any other right, power or privileges. All rights and remedies existing here under are cumulative to and not exclusive of, any rights or remedies otherwise available.

3.2 NOTICES. Any notice herein required or permitted to be given shall be in writing and may be personally served or delivered by courier or sent by post and shall be deemed to have been given upon receipt if personally served (which shall include telephone line facsimile transmission) or sent by courier or seven (7) days after being deposited in the post, certified, with postage pre-paid and properly addressed, if sent by mail. For the purposes hereof, the address of Reka shall be as shown on the records of Reka; and the address of the Company shall be Barnville Limited, 19 Mount Havelock, Douglas, Isle of Man, IM1 2QJ. Both Reka and the Company may change the address for service by service of written notice to the other as herein provided.

3.3 AMENDMENTS. This Debenture and any provision hereof may only be amended by an instrument in writing signed by the Company and Reka. The term "Debenture" and all reference thereto, as used throughout this instrument, shall mean this as originally executed, or if later amended or supplemented, then as so amended or supplemented.

3.4 ASSIGNABILITY. This Debenture shall be solely binding upon the Company and shall inure solely to the benefit of Reka. This debenture shall not be assigned or transferred in whole or in part unless assigned by Reka to one of its affiliates.

3.5 COST OF COLLECTION. If default is made in the payment of this Debenture, the Company shall pay Reka hereof costs of collection, including reasonable attorneys' fees.

3.6 GOVERNING LAW. This Debenture shall be governed by and construed in accordance with the laws of the Isle of Man.

3.7 FORCE MAJEURE. If the performance of the obligations under this Debenture by any party is prevented, restricted, or interfered with by reason of war, revolution, civil commotion, acts of public enemies, blockade, embargo, strikes, and any other similar and unforeseeable acts which are beyond the reasonable control of the party affected, then the parties so affected shall, upon giving prior written notice

to the other parties, be excused from such performance to the extent of such prevention, restriction, or interference, provided that the party so affected shall use its best efforts to avoid or remove such causes of nonperformance, and shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon such circumstances arising, the parties shall meet forthwith to discuss what (if any) modification may be required to the terms of this Debenture, in order to arrive at an equitable solution.

3.8 EARLY TERMINATION. This Debenture cannot be repaid nor recalled prior to the Repayment Date without the written consent of both parties.

IN MAKING A DECISION TO INVEST IN THE DEBENTURE, REKA LIMITED MUST RELY ON ITS OWN EXAMINATION OF THE ENTITY CREATING THE SECURITIES AND THE TERMS OF THE SECURITIES, INCLUDING THE MERITS AND SIGNIFICANT RISKS INVOLVED. THE DEBENTURE OFFERED HEREBY HAS NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE DEBENTURE OFFERED HEREIN HAS NOT BEEN OR WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1993 (AS AMENDED). BARNVILLE LIMITED HAS NOT BEEN REGISTERED AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (AS AMENDED).

THE DEBENTURE IS SUITABLE FOR SOPHISTICATED INVESTORS WHO FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE INVESTMENT PROGRAM OF THE COMPANY WHICH MAY INCLUDE A COMPLETE LOSS OF THEIR INVESTMENT, WHO DO NOT REQUIRE IMMEDIATE LIQUIDITY FOR THEIR INVESTMENT, AND FOR WHOM AN INVESTMENT IN THE COMPANY DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM.

NO PERSON, FIRM OR CORPORATION, OTHER THAN THE BOARD OF DIRECTORS, OR ADMINISTRATOR OF THE COMPANY, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN TO DELIVER THE COMPANY'S MEMORANDUM OF ASSOCIATION AND THE COMPANY'S ARTICLES OF ASSOCIATION. IF MADE, ANY SUCH REPRESENTATION MUST NOT BE RELIED UPON.

IN WITNESS WHEREOF, the Company has caused this Debenture to be signed in its name by its duly authorized representative this 10th day of May, 2000.

Signed for and on behalf of Bamville Limited:

Signature of Authorized Representative

PAUL MOORE

Name

DIRECTOR

Title

Signed for and on behalf of Reka Limited:

Signature of Authorized Representative

Name

Title

IN WITNESS WHEREOF, the Company has caused this Debenture to be signed in its name by its duly authorized representative this 5th day of May, 2000.

Signed for and on behalf of Barnville Limited:

_____
Signature of Authorized Representative

_____
Name

_____
Title

Signed for and on behalf of Reka Limited:

Roy Cairns
_____
Signature of Authorized Representative

_____
Name

_____
Title

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Christopher Hirata
Sent: Thursday, September 21, 2000 8:30 PM
To: Brian Hanson
Subject: RE: Directorship Confirmation

Perhaps it would be appropriate for them to have a copy of the note to the file regarding the contribution to the SPVs by WG/SH. However, they would not have any business reason for having the Bamville note. Talk it through with them...

-----Original Message-----
From: Brian Hanson
Sent: Thursday, September 21, 2000 9:22 AM
To: Christopher Hirata
Subject: FW: Directorship Confirmation

OK - so they're looking for signed copies of the promissory notes and initialed copies of the file notes before they will sign the debenture. First, do you think this is really necessary and second, have we even gotten Joel to a point where he is comfortable enough with the issue to be willing to sign them? Let me know you thoughts on providing them with signed copies and where we stand with Joel.

Thanks,
Brian

-----Original Message-----
From: Gillespie, Siobhan CAY [mailto:SGillespie@[redacted]
[mailto:SGillespie[redacted]
Sent: Thursday, September 21, 2000 6:36 AM
To: 'Brian Hanson'
Subject: RE: Directorship Confirmation

Dear Brian,

To enable us to get the debenture signed off would you please provide us with signed copies of the documents, copies of which were emailed to Roy on September 1st(the file notes should at least be initialled).

Thanks,

Nicola Gillespie

-----Original Message-----
From: Brian Hanson [mailto:BrianH[redacted]<mailto:[mailto:Brianh[redacted]
Sent: Monday, September 18, 2000 10:39 AM
To: 'Gillespie, Siobhan CAY'
Subject: RE: Directorship Confirmation

Nicola,

Yes, please send me anything related to the directorship appointment including the certified true copy of the resolution and the updated register of directors. Also, please keep me up to date with the signing of the debenture.

Thanks,
Brian

-----Original Message-----
From: Gillespie, Siobhan CAY
[mailto:SGillespi[redacted]<mailto:[mailto:SGillespie([redacted]>
Sent: Friday, September 15, 2000 6:40 AM
To: 'Brian Hanson'

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 330

= Redacted by the Permanent Subcommittee on Investigations

Subject: RE: Directorship Confirmation

Dear Brian,

Woodglen I was appointed as a director of the Company on August 29th 2000.

Do you need me to fax you a certified true copy of the
resolution and the
updated register of directors?
I am still awaiting Bas' response regarding the signing of the debenture.

Regards,

Nicola

-----Original Message-----

From: Brian Hanson [mailto:BrianH@[redacted]] <mailto:[mailto:BrianH@[redacted]>
Sent: Thursday, September 14, 2000 6:27 PM
To: 'Gillespie, Siobhan CAY'
Subject: RE: Directorship Confirmation

No. In the end we just did it according to the current
directors as of the
current date.

-----Original Message-----

From: Gillespie, Siobhan CAY
[mailto:SGillespie@[redacted]] <mailto:[mailto:SGillespie@[redacted]>
Sent: Thursday, September 14, 2000 3:58 PM
To: 'Brian Hanson'
Subject: RE: Directorship
Confirmation

Wasn't this appointment to have been made by the shareholder?

-----Original Message-----

From: Brian Hanson [mailto:BrianH[redacted]n] <mailto:
[mailto:BrianH[redacted]>
Sent: Thursday, September 14, 2000 5:26 PM
To: 'Gillespie, Siobhan CAY'
Subject: RE: Directorship Confirmation

Don't forget about the co-director stuff.

Thanks,
Brian

-----Original Message-----

From: Gillespie, Siobhan
CAY
[mailto:SGillespie[redacted]] <mailto:[mailto:SGillespie@[redacted]>
Sent: Thursday, September
14, 2000 3:05 PM
To: 'Brian Hanson'
Subject: RE:
Directorship
Confirmation

Hi Brian,

I believe that the debenture

= Redacted by the Permanent Subcommittee on Investigations

is with Bas in the BVI - he is out of the office today so I will check with him tomorrow and revert to you then.

With kind regards,

Nicola Gillespie

-----Original Message-----

From: Brian Hanson

[mailto:BrianH@[redacted] <mailto:[mailto:BrianH@[redacted]>

Sent: Thursday, September 14, 2000 4:39 PM

To: 'sgillespie@[redacted]

Subject: FW: Directorship Confirmation

Can you please look into this in Roy's absence. My email to him was returned with an out of office notifier.

Thanks,

Brian

-----Original Message-----

From: Brian Hanson

Sent: Thursday, September 14, 2000 2:38 PM

To: 'Roy Cairns (citco)'

Subject: Directorship Confirmation

I still have not received copies of the confirmation of appointment of Woodglen I, Inc. as co-director of Reka Limited. In addition, we are waiting still waiting on signed copies of the debenture document. Please email me back and let me know when you intend to send them to us. We need to wrap up these last few outstanding documents as soon as possible.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Christopher Hirata
Sent: Wednesday, September 27, 2000 4:20 PM
To: Brian Hanson
Subject: RE: Latman

Cool.

-----Original Message-----
From: Brian Hanson
Sent: Wednesday, September 27, 2000 2:19 PM
To: Christopher Hirata
Subject: RE: Latman

They're printing as we speak

-----Original Message-----
From: **Christopher Hirata**
Sent: Wednesday, September 27, 2000 2:17 PM
To: Brian Hanson
Subject: Latman

Please bring copies of the Promissory Note/Note to File/Debenture for RJWIV an[redacted] Chuck ASAP. Thx.

PSI-QUEL 27291

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 330

TERMINATION AGREEMENT

THIS AGREEMENT is made on November 30th 2000

BETWEEN:

(1) Woodglen I LLC whose registered office is 630 5th Avenue, Suite 1510, New York, NY10111 ("Woodglen I LLC");

(2) Woodglen I, Inc. whose registered office is 630 5th Avenue, Suite 1510, New York, NY10111 ("Woodglen I, Inc." and together with Woodglen I LLC, the "Woodglen Entities");

(3) Barnville Limited whose registered office is at 19 Mount Havelock, Douglas, Isle of Man ("Barnville"); and

(4) Reka Limited whose registered office is at West Bay Road, P.O. Box 31106 Grand Cayman, Cayman Islands ("Reka").

WHEREAS:

(A) Reka purchased a $40,000,000 debenture from Barnville under an agreement dated 5 May 2000 (the "Barnville Debenture").

(B) Barnville lent $39,960,000 to Woodglen I LLC on 5 May 2000 in exchange for a promissory note (the "Woodglen I LLC Promissory Note").

(C) Barnville lent $40,000 to Woodglen I, Inc. on 5 May 2000 in exchange for a promissory note (the "Woodglen I, Inc. Promissory Note").

(D) Woodglen I LLC made a capital contribution of $39,960,000 to Reka under a letter dated 5 May 2000 (the "Woodglen I LLC Capital Contribution") such sum being held by Reka on its share premium account.

(E) Woodglen I, Inc. made a capital contribution of $40,000 to Reka under a letter dated 5 May 2000 (the "Woodglen I, Inc. Capital Contribution") such sum being held by Reka on its share premium account.

(F) Reka wishes to assign its rights under the Barnville Debenture as a distribution in specie to Woodglen I LLC and Woodglen I, Inc. and Barnville consents to such assignment and distribution.

(G) Woodglen I LLC wishes to redeem the Woodglen I LLC Promissory Note and Barnville consents to such an early redemption.

(H) Woodglen I, Inc. wishes to redeem the Woodglen I, Inc. Promissory Note and Barnville consents to such an early redemption.

(I) Following the assignment to them, each of the Woodglen Entities wishes to redeem the Barnville Debenture.

(J) The Woodglen Entities and Barnville have agreed to set-off the redemptions of the Capital Instruments as set out in this Agreement

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Capital Instruments" means collectively, the Barnville Debenture, Woodglen I LLC Promissory Note, Woodglen I, Inc. Promissory Note, Woodglen I LLC Capital Contribution and the Woodglen I, Inc. Capital Contribution and each being a "Capital Instrument".

"Settlement Amount" means, with respect to the redemption of a Capital Instrument, the principal amount repayable under that Capital Instrument together with any interest accrued thereon.

"Settlement Date" means 30 November 2000.

2. Assignment of Barnville Debenture

By way of full distribution of the Woodglen I LLC Capital Contribution and the Woodglen I, Inc. Capital Contribution, Reka shall assign on the Settlement Date all of its rights, title, interest and benefit in and to the Barnville Debenture as a distribution in specie to each of Woodglen I LLC and Woodglen I, Inc. in the same proportion as their respective capital contributions in Reka, and Barnville hereby consents to such assignment.

3. Redemption of Capital Instruments

3.1 In final redemption of the Woodglen I LLC Promissory Note, Woodglen I LLC shall be obliged to pay the Settlement Amount to Barnville on the Settlement Date and Barnville hereby consents to such prepayment.

3.2 In final redemption of the Woodglen I, Inc. Promissory Note, Woodglen I, Inc. shall be obliged to pay the Settlement Amount to Barnville on the Settlement Date and Barnville hereby consents to such prepayment.

3.3 Immediately following the assignment of the Barnville Debenture in accordance with clause 2 above and in final redemption of that instrument, Barnville shall be obliged on the Settlement Date to pay to the Woodglen Entities the Settlement Amount for the Barnville Debenture in proportions matching their respective entitlements, and each of the Woodglen Entities hereby consents to such prepayment.

4. Set-off

The Woodglen Entities and Barnville each agree to set off the mutual payment obligations arising under clause 3 above in full and final satisfaction thereof and in termination of the Capital Instruments.

Warranty

Each Party warrants to the others that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

4. Counterparts

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

5. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of each of the parties hereto on the date first written above.

For and on behalf of
Woodglen I LLC

.....
Name:
Title:

For and on behalf of
Woodglen I, Inc.

.....
Name:
Title:

For and on behalf of
Barnville Limited

.....
Name:
Title:

For and on behalf of
Reka Limited

.....
Name: CTC Corporation Ltd.
Title: Director

5. **Warranty**

Each Party warrants to the others that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

6. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

7. **Governing Law and Jurisdiction**

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of each of the parties hereto on the date first written above.

For and on behalf of
Woodglen I LLC

.....
Name:
Title:

For and on behalf of
Woodglen I, Inc.

.....
Name:
Title:

For and on behalf of
Reka Limited

.....
Name: D. N. V. NOLSON
Title: DIRECTOR

For and on behalf of
Reka Limited

.....
Name:
Title:

Warranty

Each Party warrants to the others that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

4. Counterparts

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

5. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of each of the parties hereto on the date first written above.

For and on behalf of
Woodglen I LLC

.....
Name: Joel Latman
Title: Treasurer

For and on behalf of
Woodglen I, Inc.

.....
Name: Joel Latman
Title: Treasurer

For and on behalf of
Barnville Limited

.....
Name:
Title:

For and on behalf of
Reka Limited

.....
Name: Joel Latman
Title: Treasurer, Woodglen I, Inc.: Managing Member

From: Larry Scheinfeld
Sent: October 13,2000 09:28
To: Andrew J Robbins
Subject: FW: POINT

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: John Staddon [mailto:john.staddon[redacted]
Sent: Friday, October 13, 2000 5:54 AM
To: Chuck Wilk
Cc: Norm Bontje; Jeff Greenstein; Larry Scheinfeld
Subject: RE: POINT

Let's think about this.
The reason for the Barnville promissory note in the first place is because under the terms of the novation agreement (whereby Barnville contributed the stock portfolio to Reka), Reka took on the cash collateral obligation under the stock loans to Jackstones to the extent of the market value of the stock at the date of novation (approx $103mio). The promissory note given by Barnville effectively compensates Reka for taking on this obligation without receiving a transfer of cash collateral upon novation.

This promissory note is still outstanding because the purchase price due from Woodglen to Reka is still being deferred.

If we were to transfer the promissory note to a third party issuer and cancel the Barnville note (and we need to think as an objective enquiry why a third party would issue such a note), then we of course lose the direct set-off between the deferred consideration and the promissory note repaymenet obligation. Is this a problem? We'll it might be if you were the third party and Reka came to enforce the promissory note even though it had defaulted on the deferred consideration. If we can eliminate this risk then I think we should be ok. One way of ensuring this is to have language in the promissory note which states that Reka can not redeem the note unless and until and only to the extent that Reka had repaid the deferred consideration. I don't know however whether this still gives us a circularity issue.

The other approach that I have been toying with is for the promissory note issuer to be a thinly capitalised spv such that in practice (though not evident on the face of the documents) it would never have any propsect of satisfying any demand for redemption unless and until Barnville was put "in funds" by the payment of the deferred consideration by Woodglen and Barnville then puts the spv in funds by coming good on its promissory note. To avoid the need for funds to actually move (though this would be possible) this process of putting in funds could be effected simultaneously under a three-way arrangement agreed to by the parties at that point.

In terms of how the promissory note would look like, this would appear regualr and would make no reference to the Woodglen/Barnville indebtedness. We could make the maturity of the note as the 2035 date to coincide with the deferred consideration backstop date or have it open-ended and just rely on the reality that any attempt to make an earlier redemption would be defaulted upon.

Finally, and coming back to the issue as to why a third party would be prepared to step in as suggested, we have two choices I think. The first is to have the Barnville note transferred to the third party in consideration of Barnville issuing to the third party a back-to-back note. I suspect that this step would be very susceptible to being disregarded. The other approach is to disregard the Barnville note altogether and treat it as never having been executed and "arrange" for the thrid party note to be executed as of the date of novation. I would obviously prefer not to go down this route, but unless you can think of any other credible reason for re-juggling the obligations, then I guess we need to think about this.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Let me know how you want to approach this and whether any of the above makes sense.

Cheers
John

-----Original Message-----
From: Chuck Wilk [mailto:cwilk@[redacted]
Sent: 12 October 2000 22:18
To: 'John Staddon'
Cc: Norm Bontje; Jeff Greenstein; Larry Scheinfeld
Subject: POINT

John,

In regards to the triangular loans (i.e. loan from Barnville to Woodglenn/ contribution by Woodglenn to Rekka/ purchase by Rekka of debt security from Barnville) is it possible for Rekka to purchase debt security from Euram (or an affiliate)? Ira Axelrod does not like the circular nature of the current structure (and I don't blame him) and wants a proposal that Cravath accepts that will make him more comfortable with the basis and at risk rules (IRC 465). If Euram issues the debt security the next request will probably be that the issuer use a SPV so that there is no chance that Euram defaults on the security but Barnville continues to enforce their note obligation against Woodglenn.

Any thoughts??

Thanks,
Chuck

Reka Limited and Reka I LLC

Woodglen I LLC Journal Entries as of 12/31/00

Investment in Reka Limited	103,838,510	
Notes Payable - Barnville		103,838,510
To record acquisition of interest in Reka Limited		
~~Investment in Reka Limited~~	~~2,377,902~~	
Cash		2,377,902
To record cash contribution to allow collar purchase		
Payment to Barnville Limited	3,466,248	
Cash		3,466,248
To record cash payment for prepaid interest and fees		
	Fees	**PPD Interest**
	1,448,550	2,017,698
Investment in Reka Limited	720,184	
Cash		720,184
To record cash contribution to allow strike on collar to be reset to 110%		
Investment in Reka Limited	19,980,000	
Cash		19,980,000
To record additional capital contribution related to investment in Reka LLC		
Investment in Reka Limited	730,805	
Equity		730,805
To mark investment to market at year end		
Interest Expense	2,076,770	
Interest Payable - Barnville		2,076,770
To record interest payable on Barnville note		

Reka Limited and Reka I LLC

Woodglen I, Inc. Journal Entries as of 12/31/00

Investment in Reka Limited	103,942	
Notes Payable - EAICS		103,942
To record acquisition of interest in Reka Limited		
Investment in Reka Limited	2,380	
Cash		2,380
To record cash contribution to allow collar purchase		
Payment to Barnville Limited	3,470	
Cash		3,470
To record cash payment for prepaid interest and fees		

Fees	PPD Interest
1,450	2,020

Investment in Reka Limited	721	
Cash		721
To record cash contribution to allow strike on collar to be reset to 110%		
Investment in Reka Limited	20,000	
Cash		20,000
To record additional capital contribution related to investment in Reka LLC		
Investment in Reka Limited	732	
Equity		732
To mark investment in Reka Limited to market at year end		
Investment in Reka I LLC	111,615	
Equity		111,615
To record initial capital contribution		
Investment in Reka I LLC	732	
Equity		732
To mark investment in Reka LLC to market at year end		
Interest Expense	2,079	
Interest Payable - Barnville		2,079
To record interest payable on Barnville note		

Robert W. Johnson, IV - Reka Limited

Summary as of June 5, 2000 (Execution prices at close-out)

Company	Ticker	Shares	Basis Price	Basis Amount	Initial Gain (Loss)	Purchase Price	Purchase Amount	Sale Price	Total Proceeds	Gain (Loss)
Verisign	VRSN	100,000	246.06	24,606,250	(10,997,920)	136.08	13,608,330	179.10	17,909,640	4,301,310
Conexant Systems	CNXT	125,000	96.81	12,101,563	(5,697,488)	51.23	6,404,075	49.31	6,163,625	(240,450)
Internet Capital Group	ICGE	215,000	200.00	43,000,000	(34,562,927)	39.24	8,437,073	41.25	8,868,750	431,677
CMGI	CMGI	250,000	163.22	40,805,000	(24,629,750)	64.70	16,175,250	60.00	15,000,000	(1,175,250)
Commerce One	CMRC	230,000	125.00	28,750,000	(15,797,711)	56.31	12,952,289	54.52	12,538,588	(413,701)
Yahoo!	YHOO	100,000	237.50	23,750,000	(11,229,080)	125.21	12,520,920	138.07	13,807,030	1,286,110
Citrix Systems Inc.	CTXS	300,000	103.06	30,918,750	(17,464,770)	44.85	13,453,980	61.06	18,317,040	4,863,060
AtHome Corp.	ATHM	450,000	40.25	18,112,500	(10,127,565)	17.74	7,984,935	20.86	9,389,070	1,404,135
DoubleClick	DCLK	200,000	134.00	26,800,000	(14,394,400)	62.03	12,405,600	51.41	10,282,500	(2,123,100)
				248,844,063	(144,901,611)		103,942,452		112,276,243	8,333,791
							155,914			

Estimated Consolidated P&L

Stock sale proceeds	112,276,243	
Trade value	(103,942,452)	
Gain/(loss) on stock		8,333,791
Proceeds from sale of put	11,955,776	
Cost of long put	(15,321,117)	
Gain/(loss) on put		(3,365,342)
Cost of covering call	(14,551,943)	
Proceeds from short call	12,219,930	
Gain/(loss) on call		(2,332,013)
Total trading gain/(loss)		2,636,436
Prepaid interest		(3,469,718)
Investment advisory fees		(2,900,000)
Net gain/(loss)		(3,733,282)
Net loss as % of initial loss		2.58%

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 335

PSI-RWJ 000339

2413

Brian Hanson

From: Brian Hanson
Sent: Wednesday, March 13, 2002 12:34 PM
To: 'anussbaum@
Cc: Andrew Robbins
Subject: Reka

Redacted by the Permanent Subcommittee on Investigations

Point Strategy Presentation.pd...

Amanda,

Pursuant to your request of Andy Robbins, I am attaching the following narrative related to Mr. Johnson's investment in Reka Limited/I LLC.

In addition, here is a synopsis of the trade profitability:

Woodglen (refers to both Woodglen entities) purchased Reka for $105,392,452 which included a $1,450,000 purchase premium (the fee charged by Euram for facilitating the creation of Reka and the issuance of the long dated warrant etc.). Woodglen then put a collar around the securities the created a net debit of $3,101,187 consisting of the purchase of a put for $15,321,117 and sale of a call for $12,219,930. The collar was closed out 31 days later by paying $2,596,167 consisting of the purchase of the call for$14,551,943 and the sale of the put for $11,955,776. The portfolio was liquidated for $112,276,243 generating a profit of $8,333,791. The investment advisory fees associated with Quellos were paid separately by RWJIV pursuant to an investment advisory agreement spanning a 24 month period that requires the payment of $120,000 per month. There was an additional $20,000 that was paid by Reka. Using these figures one could argue that Reka generated a net profit of $2,636,437 over the 31 day period not accounting for the fees of $1,450,000 and the $2,900,000.
If you have any questions regarding either document, please feel free to contact either Andy or myself. I can be reached directly at (206) 613-6732 and Andy can be reached at (212) 609-4185.

Regards,

Brian Hanson
Quellos Custom Strategies, LLC
Phone : (206) 613-6700
Fax : (206) 613-6713

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 336

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Brian Hanson
Sent: October 25,2001 16:49
To: Andrew J Robbins
Subject: Cobalt, etc...

Andy,

I want to walk you through the profitability model that I've built for Cobalt. It will help us get a good feel for what to talk to John Barrie about. Hopefully we can get him on the line this afternoon so we can get him comfortable with everything before speaking with Rick Bronstein.

It's in j:/custom strategies/clients/[redacted]cobalt/prelim analyses/cobalt profitability dynamic 10-22-01

I also think I have a better answer to the journal entry dilemma. Let's try this:

Total ppd fees and interest & collar ctrb. =	$5,850,000
Total call spread paid by BV =	($4,400,000)
Euram fee =	($1,450,000)
Net	$ 0

Here's how to break down Woodglens' $5,850,000:

Investment in Reka Ltd for purchase of collar:	$2,380,282
Cash payment to BV for ppd fees and interest:	$3,469,718

Addntl 2% Q fee paid in form of advisory agmt w/RWJ for $2.9.

I'll start to do the same thing for the Sidehills.

Call me when you get out of your meeting x6732.

Brian

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 337

PSI-QUEL 25004

QUADRA FINANCIAL GROUP, L.P.
RELATIONSHIP AGREEMENT

This Relationship Agreement (the "Agreement") is entered into on this 1st day of July, 2000, by and between Robert W. Johnson, IV (the *"Client"*), and Quadra Financial Group, L.P., a Delaware limited partnership (*"Quadra"*).

In consideration of the mutual agreements herein contained, Client and Quadra agree as follows:

1. Relationship With Quadra. The purpose of this Agreement is to establish a broad-based relationship between Client and Quadra that provides Client access to Quadra and its affiliated entities (each a *"Member"* of the *"Quadra Group"*) and general consulting relating to investments, asset allocation, risk management, financial, estate and tax planning and other services. When the services requested entail the provision of investment advice or tax consulting, such advice will be provided pursuant to paragraph 2 or paragraph 3 below, as appropriate. In the event Client requests any Member of the Quadra Group to provide investment advice with respect to specific portfolios or assets, execute recommended transactions or investments or similar dedicated services, Client and the appropriate Member of the Quadra Group shall enter into a separate agreement describing the scope of such services and the associated fees.

2. Investment Advisors. Consulting services relating to general investment advice will be provided by Quadra Capital Management, L.P. (*"QCM"*), an investment adviser registered under the Investment Adviser's Act of 1940, as amended (the *"Act"*). Consulting services for investment advice which includes consideration of tax strategies or consequences will be provided by Quadra Custom Strategies, LLC (*"QCS"*), an investment adviser registered under the Act. For the purpose of providing investment advice, QCM or QCS, as applicable, shall be deemed a party to this Agreement.

3. Tax Consulting. Tax consulting will be provided by Quadra Associates, LLC (*"QA"*), and for purposes of providing such services, QA shall be deemed a party to this Agreement. The scope of the services provided pursuant to this Agreement shall not in any circumstance be deemed to include the provision by any Member of the Quadra Group to the Client of any federal, state or local tax advice which could be viewed as the provision of legal advice and Client hereby confirms that Client will not rely upon any Member of the Quadra Group to provide such advice with respect to any transaction or investment discussed between Client and any Member of the Quadra Group if Client determines to undertake such transaction or make such investment.

4. Fees. The compensation of Quadra for its services rendered hereunder shall be calculated and paid in accordance with Exhibit A.

5. Services to Other Clients. The Client understands and agrees that the various Members of the Quadra Group perform a variety of services, including investment advisory and investment management services, financial, estate and tax

Group may give advice and take action in the performance of their duties with respect to any of their other clients, which may differ or be the same as advice given to Client. Nothing in this Agreement shall be deemed to impose upon any Member of the Quadra Group any obligation to recommend for purchase or sale any security or other property which such Member, its principals, affiliates, agents or employees may purchase or sell for its own accounts or for the accounts of any other clients or to provide Client consulting services, recommendations or other advice that may be provided to other clients.

6. Certain Conflicts of Interest. Counterparties of transactions recommended to Client by Members of the Quadra Group may include counterparties for which Members of the Quadra Group or their partners, members, shareholders or affiliates (i) have ownership or other financial interests (i.e., Pali Capital and European American Investment Bank); or (ii) have business relationships, including but not limited to lending, depository, risk management, investment advisory, security distribution or banking relationships (i.e., Bank of America and UBS AG and their affiliates and other financial institutions with which Quadra may do business in the future). These relationship may result in conflicts of interest as between Quadra and Client. Client understands and agrees to these relationships.

7. Liability. No Member of the Quadra Group nor any Member's officers, directors, members, employees, or agents shall be liable for any action taken by it, omitted or suffered to be taken by it in its reasonable judgement, in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement, or in accordance with (or in the absence of) specific directions or instructions from the Client or Client's representative; provided, however, that such acts or omissions shall not have resulted from such Member's wilful misconduct, bad faith or gross negligence in its actions taken under this Agreement or breach of its duties or obligations hereunder. As it relates to investment advice, notwithstanding the foregoing, nothing herein shall in any way constitute a waiver or limitation of any rights that Client may have under federal securities laws.

The Client shall indemnify each Member of the Quadra Group and the members, partners, affiliates, employees, representatives, and agents of such Member (each an "Indemnified Person") against any and all losses, claims, damages or liabilities, joint or several, including, without limitation, reasonable attorney's fees and disbursements, resulting in any way from the performance or non-performance of the duties of any Member of the Quadra Group hereunder, except those resulting from gross negligence, willful malfeasance or violation of applicable law in the performance of such Member's obligations and duties, and, in the case of criminal proceedings, unless such Indemnified Person had reasonable cause to believe its actions unlawful.

8. Termination. This Agreement shall terminate on the two year anniversary from the date of this Agreement, or if earlier, on 30 days written notice by one party to the other party. Client recognizes that the Quadra Group, in the course of providing its services, incurs substantial resources and up-front costs to build a comprehensive knowledge base of Client's overall financial affairs and for developing and implementing investment strategies which will be tailored to the meet the Client's

investments, asset allocation, risk management, financial, estate and tax planning and other objectives. As such, if Client terminates this Agreement prior to the two year anniversary of the Agreement, Client shall pay Quadra an Early Termination Fee. The Early Termination Fee will be calculated as set forth in Exhibit B.

9. Representations by the Client and Quadra. Client and Quadra Group each represents that the terms hereof do not violate any obligation by which it is bound, whether arising by contract, operation of law, or otherwise. Client (if applicable) and the Quadra Group each represents that it is duly organized, validly existing and in good standing under the laws of its state of organization and has full power and authority to execute and deliver this Agreement and carry out its obligations hereunder, the execution and delivery of the Agreement has been duly authorized by all necessary action on its behalf; the execution, delivery, and performance of this Agreement does not violate any agreement or arrangement to which it is a party or by which it is bound, or any order or decree to which it is subject; and this Agreement constitutes the valid and binding agreement.

10. Confidential Relationship. The parties agree that all information and advice provided by either party to the other shall be treated as confidential and shall not be disclosed to third parties except as required by law or in connection with regular portfolio transactions of Client.

11. Amendment and Assignment. This Agreement may not be amended without the prior written consent of the parties, and may not be assigned without the prior written consent of the other party. In the event of a succession or assignment on the part of either party to this Agreement, and absent written consent by both parties to the contrary, this Agreement will survive and be binding upon any successor to or assignee of the original parties to this Agreement. QCM agrees to notify Client of any change in the membership of QCM within a reasonable time after such change.

12. Waivers. A waiver by any party of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of such provision or of any other provision hereof. Failure of a party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

13. Attorneys' Fees. The prevailing party in any action brought by either party hereto to enforce its rights under this Agreement shall be entitled to recover all costs and expenses (including reasonable attorneys' fees) incurred in prosecuting or defending such action.

14. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware (without regard to principles of conflicts of law) to the extent not preempted by applicable Federal law.

15. Compliance. Client represents and warrants that (a) Client is in compliance with, and covenants that Client will in the future comply with (i) all applicable money laundering laws or regulations, and (ii) all applicable tax laws and regulations; (b) Client is not subject to any sanction imposed by the Office of Foreign

Assets Control; and (c) (i) that the assets of Client that may be considered in connection with the investment advisory services to be provided pursuant this Agreement do not constitute assets of (x) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("*ERISA*")), whether or not subject to Title I of ERISA, (y) a plan described in Section 4975(e)(1) of the Internal Revenue Code, or (z) an entity whose underlying assets are assets of a plan described in (x) or (y) by reason of such plan's investment in the entity.

The parties hereto have hereunto caused this Agreement to be duly executed the day and year first hereinbefore written.

Quadra Financial Group, L.P.
by: Quadra Holdings Group, Inc., as general partner

By: _____

Title: CEO
Address: 601 Union St., 56th Floor
Seattle, WA 98101

With respect to Investment Advisory or Tax Consulting Services:

Quadra Custom Strategies, LLC.
Quadra Capital Management, L.P.
Quadra Associates, LLC.

by: Quadra Holdings Group, Inc., as general partner or managing member respectively.

By: _____
Title: CEO
Address: 601 Union St., 56th Floor
Seattle, WA 98101

Client:
Robert W. Johnson, IV

By: _____
Address: 630 Fifth Avenue, Suite 1510
New York, NY 10111

EXHIBIT A
FEES

In connection with the consulting and risk management services for which it has been retained, the Investment Advisor shall be compensated in an amount equal to $120,800 per month over the next 24 months. Such amount, payable monthly, shall be paid within 30 days of end of each calendar month.

EXHIBIT B
EARLY TERMINATION FEE

In the event that this Agreement is terminated by the Client prior to the two year anniversary of this Agreement, an Early Termination Fee will be immediately due and payable by the Client to Quadra. The Early Termination Fee shall be the product of: (a) twenty-four less the number of monthly payments received by Quadra pursuant to Exhibit A; and (b) the monthly fee as calculated in Exhibit A.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Chuck Wilk
Sent: Thursday, June 29, 2000 11:42 AM
To: Christopher Hirata
Subject: RE: Triskelion Wires

I am not sure they are questioning fees but to them the math does not match (i.e. they included Woody when we are taking no upfront fee). The reply is that the fees and the fee structure varies with each client based on our relationship and the future services we will provide.

-----Original Message-----
From: Christopher Hirata
Sent: Thursday, June 29, 2000 7:46 AM
To: Chuck Wilk
Cc: Brian Hanson
Subject: FW: Triskelion Wires

It looks like they are questioning our fees based on their assumption that we are only getting 1%. Shall we reply that our fees may exceed 1% based on ongoing advisory services we may provide the client?

-----Original Message-----
From: Rajan Puri
Sent: Thursday, June 29, 2000 2:22 AM
To: 'Brian Hanson'; Rajan Puri
Cc: Christopher Hirata
Subject: RE: Triskelion Wires

Brian

i) Neither John nor I have instructed the IoM guys to sign an Investment Advisory Agreement between Burgundy and QCS...is this something you have dealt with directly?

ii) We understand you were extracting fees representing 1% of the initial losses generated...at 1%, the fees per tranche would be:
[redacted] 1.218
W Johnson 1.449
[redacted] 1.816
totalling USD4.483million. How does this reconcile to the USD4.84million (3.02+1.82) you are requesting?

iii) As I mentioned briefly to you several days back, the Euram 1% fees appear to have been calculated based on the losses the clients were aiming to generate (totalling USD4.45mio), rather than the numbers actually generated (USD4.483mio, as outlined above)...I think therefore that Euram are due another USD33k - does this make sense to you?

Later
Raj

-----Original Message-----
From: Brian Hanson [mailto:Brian[redacted]
Sent: Wednesday, June 28, 2000 8:28 PM
To: 'Rajan Puri'
Cc: Christopher Hirata
Subject: RE: Triskelion Wires

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 338

[redacted] = Redacted by the Permanent Subcommittee on Investigations

No need to apologize. See below.

-----Original Message-----
From: Rajan Puri [mailto:rajan.puri@[redacted]
Sent: Wednesday, June 28, 2000 10:04 AM
To: 'Brian Hanson'
Subject: RE: Triskelion Wires

Hi Brian

A couple of quick questions for you:
i) Under the Investment Advisory Agreement between Barnville and Quadra, an initial payment of US$3.02milllion was wired to Quadra as an ~~initial payment~~ for services; which tranches of the trade does this relate to? 1 and 3

ii) if we wire US$1.82million from Burgundy to Quadra, in line with your request below, am I right in assuming thst you will need a corresponding Investment Advisory Agreement in place betweeen Quadra and Burgundy? Is this the fee re [redacted] Yes, it is [redacted] fee and an advisory agreement btwn. QCS and Burgundy is being signed as we speak.

Apologies for these questions, but I am simnply passing on questions from the IoM guys (who need the info for their record keeping, given they are being requested to move cash) that I am currently unable to answer

Cheers
Raj

-----Original Message-----
From: Brian Hanson [mailto:BrianH[redacted]
Sent: Friday, June 23, 2000 12:35 AM
To: 'john staddon (euram)'; 'raj puri (euram)'
Cc: Christopher Hirata; Chuck Wilk
Subject: Triskelion Wires

John and Raj,

Since the Burgundy proceeds of $5,414,781 at Barnville should have been moved to an account at Triskelion by now, please make the following wire transfer. The attached document is an invoice for serivces.

<<Invoice Burgundy.doc>>

From:
Burgundy Triskelion account

To:
Bank of America
ABA #: 125 000 024
Account Name: Quadra Custom Strategies
Account #: 68870815
Amount: $1,820,000

CRAVATH, SWAINE & MOORE

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SUSAN WEBSTER
WILLIAM H. WIDEN
TIMOTHY G. MASSAD
DAVID MERCADO
ROWAN D. WILSON
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PETER T. BARBUR
SANDRA C. GOLDSTEIN
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JULIE A. NORTH
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THOMAS E. DUNN
JULIE T. SPELLMAN

OF COUNSEL:
CHRISTINE BESHAR

MEMORANDUM FOR R. W. JOHNSON, IV

POINTS

August 29, 2000

Enclosed please find an executed copy of the Cravath, Swaine & Moore tax opinion with respect to the above-referenced transaction.

Best regards.

Alyssa F. Wolpin

Robert W. Johnson, IV
c/o Joel Latman
Johnson Company, Inc.
630 Fifth Avenue, Suite 1510
New York, NY 10111

Encls.

387a

BY HAND

CRAVATH, SWAINE & MOORE

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RICHARD J. STARK
THOMAS E. DUNN
JULIE T. SPELLMAN

OF COUNSEL:
CHRISTINE BESHAR

August 29, 2000

Ladies and Gentlemen:

You have requested our opinion regarding the U.S. Federal income tax treatment of a U.S. investor ("Investor") who purchases a limited liability company membership interest under the following circumstances (the "Proposed Transaction").

Our opinion is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations thereunder, judicial and administrative authority as of the date hereof, and the factual assumptions set forth herein, changes to any of which could affect the analysis and conclusions stated herein.

Proposed Transaction Structure

Investor proposes to purchase a 99.9 percent membership interest in a non-U.S. limited liability company ("SPV") taxable as a partnership for U.S. Federal income tax purposes.[1] SPV was formed by a non-U.S. investment fund ("Fund")[2] to serve as a bankruptcy remote vehicle for issuing out-of-the-money covered warrants (the "Covered Warrants") to persons unrelated to Fund or Investor on a basket of publicly-traded stocks issued by various U.S. corporations.[3] Fund transferred shares of the stocks

[1] A 0.1% membership interest in SPV will be purchased by a U.S. investor who is related to Investor within the meaning of Section 318 of the Code ("Related Purchaser").

[2] A 0.1% membership interest in SPV is held by European American Corporate Services Limited ("EACS").

[3] Fund utilized SPV to issue the Covered Warrants because its implicit credit rating was insufficient to enable it to

comprising the basket (the "Stocks") to SPV prior to the issuance of the Covered Warrants. The Covered Warrants have a maturity of five years and a strike price equal to 150 percent of the aggregate trading price at the time the Covered Warrants were issued ~~of the Stocks~~. The indenture with respect to the Covered Warrants provides that SPV must at all times hold either the Stocks or, if SPV holds less than all the Stocks (such difference the "Unhedged Position"), other marketable securities ~~with an aggregate~~ fair market value equal to at least three times the ~~fair market value of the Unhedged Position~~. Prior to the sale of the SPV membership interests to Investor, SPV hedged its economic exposure with respect to the Covered Warrants by holding shares of the Stocks.

The Covered Warrants are callable by SPV pursuant to exercise of a call right (the "Call") and are puttable by the distribution agent (the "Distribution Agent") for the Covered Warrants pursuant to exercise of a put right (the "Put").[4] SPV will hold the aggregate premium received with respect to the issuance of the Covered Warrants in a collateral account until the Put and Call lapse or are exercised. Amounts held in the collateral account are invested in short-term money market securities (the "Collateral").

Subsequent to Fund's purchase of the Stocks and prior to Fund's transfer of the Stocks to SPV, the aggregate trading price of the Stocks declined and Fund/SPV has an unrealized loss for U.S. Federal income tax purposes in the Stocks. Fund now wishes to terminate its economic exposure to the Covered Warrants and the Stocks and capture the bid-ask spread created by the Covered Warrants. Therefore, Fund

---

issue the Covered Warrants directly. SPV is one of several special purpose vehicles that Fund has created, or intends to create, in order to capture the bid-ask spread created by issuing covered warrants with respect to various stocks.

[4] The Call has a 9 month maturity and a strike price that varies directly with the aggregate trading price of the Stocks. The Put has a 9 month maturity and a strike price equal to 100% of the initial premium for the Covered Warrants plus accrued interest on that premium, provided, however, that the Put will expire upon the Distribution Agent's placement of the Covered Warrants with third party investors. The terms of the Covered Warrants require SPV to notify the Distribution Agent prior to exercising the Call if and only if the Distribution Agent has not yet placed the Covered Warrants with third party investors.

proposes to sell 99.9 percent of the total membership interests in SPV to Investor. Concurrently, Related Purchaser will purchase 0.1 percent of the total membership interests in SPV from EACS. At the time that Investor purchases the membership interests, SPV will hold the Stocks and the Collateral and will be earning a money market return with respect to the Collateral.[5]

Investor intends to finance its purchase (the "Purchase") of the SPV membership interests through a loan (the "Loan") from Fund.[6] The Loan will be recourse to Investor.[7] However, provided that SPV holds collateral having a fair market value at least equal to 100 to 200 percent (depending on the nature of the collateral) of the outstanding principal amount of the Loan,[8] Fund will, in the event of a default, look first to Investor's membership interests in SPV for satisfaction of the outstanding amounts.

At the time of the Purchase, it is anticipated that SPV will hedge some of its downside risk with respect to the Stocks by entering into a 125-day collar (the "Collar").[9] The counterparty to the Collar may be Fund or a party related to Fund. The spread between the strike prices of the put and call that comprise the Collar will be between 5 and 11 percent of the current aggregate trading prices of the Stocks.[10] The term of the Collar will be for a period

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[5] We assume that the Stocks are non-dividend paying.

[6] Related Purchaser intends to finance its purchase of its SPV membership interests with a loan from EACS. Quadra Capital Management, L.P. ("Quadra"), an experienced money manager, would likely assist Investor in arranging the Loan.

[7] We assume that Investor is credit-worthy.

[8] This collateral will be in addition to any Collateral held by SPV with respect to the Covered Warrants, as described above.

[9] The Collar can be cash-settled or physically settled, at the option of SPV.

[10] The put will have a strike price equal to 100% of the aggregate trading price of the Stocks at the time the Collar is entered into, and the call will have a strike price equal to 110% of the aggregate trading price of the Stocks at the time the Collar is entered into.

substantially less than the term of the Covered Warrants. Therefore, if the Collar expires, Investor will again be fully exposed to downside risk with respect to the Stocks for the remaining duration of the Covered Warrants; if the Covered Warrants expire unexercised, Investor will bear full economic upside and downside exposure with respect to the

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If some shares of the Stocks have appreciated at the time Investor enters into the Collar such that the fair market value of such shares (the "Appreciated Shares") at that time is greater than their adjusted tax basis, Investor might be subject to the "constructive sale rules." Under the constructive sale rules, a taxpayer who holds an appreciated "position" in a stock, partnership interest or debt instrument and enters into certain enumerated hedging transactions is generally treated as having disposed of such appreciated position in a taxable transaction. I.R.C. § 1259. Note that § 1259 only applies to trigger the recognition of gain, and cannot be used to accelerate the recognition of a taxable loss. Although the constructive sale rules do not currently apply to the purchase or sale of options as part of a collar transaction, the Internal Revenue Service is granted authority to issue regulations to encompass transactions that essentially eliminate substantially all of the taxpayer's risk of loss and opportunity for income or gain with respect to the applicable appreciated position. I.R.C. § 1259(c)(1)(E); S. Rep. No. 105-33 at 126 (1977); H.R. Rep. 105-148 at 442 (1997). See also Joint Committee on Taxation, General Explanation of Tax Legislation Enacted in 1997 at 177 (Dec. 17, 1997). Such regulations can be applied retroactively in "abuse" cases. Generally a 5-year or shorter collar transaction with respect to stock of average volatility should not be considered abusive if (i) the spread between the exercise prices of the put and call is at least 20% of the underlying stock's current fair market value (the "spot price"), (ii) the exercise price of the put is not higher than the spot price and (iii) the exercise price of the call is not lower than the spot price. See New York State Bar Association Tax Section, Committee on Financial Instruments, Proposed Legislation Regarding 'Short-Against-the-Box' Transactions, TAX NOTES TODAY 46-35 (1996). The Collar, either alone or in conjunction with the Covered Warrants, is not described by that safe harbor. If the application of § 1259 to the Collar resulted in a deemed disposition by Investor of the Appreciated Shares (if any), the tax basis of the Appreciated Shares deemed sold would be stepped up to fair market value and Investor's holding period for the Appreciated Shares would begin anew.

Stocks for the remaining duration of SPV's holding period with respect to the Stocks.

After consultation with its investment advisor, Quadra, Investor may cause SPV to dispose of some or all of the shares of the Stocks.[11] Such dispositions could be effected through sales on the open market and/or pursuant to exercise of the put or call options comprising the Collar (a "Stock Disposition").[12]

It is anticipated that there will not be in place an election under Sections 743 and 754 of the Code with respect to SPV at the time of the Purchase. The Purchase will result in a constructive termination of SPV pursuant to Section 708 of the Code.

As a result of the Purchase, Investor anticipates earning an annualized pre-tax return on its net purchase price for the SPV membership interests, taking into account interest expense on the Loan and transaction expenses (including any expenses associated with the Collar, the Loan or the Purchase), that is substantial (attributable to the earnings on the Collateral and the upside potential with respect to the Stocks) in relation to the potential U.S. Federal income tax benefits attributable to the built-in loss in the Stocks held by SPV. While Investor is aware of such potential U.S. Federal income tax benefits, one of Investor's purposes in acquiring the SPV membership interests is to earn this attractive pre-tax return.

Discussion

Economic Substance Doctrine. In connection with the Proposed Transaction, you have asked our opinion as to whether common law economic substance and business purpose

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[11] In the event that Investor causes SPV to dispose of most of the shares of the Stocks, SPV will likely exercise the Call in order to repurchase the Covered Warrants. Alternatively, if the Distribution Agent has not yet placed the Covered Warrants with third party investors, the Distribution Agent could exercise the Put.

[12] In such case, SPV may distribute all or part of the proceeds of any Stock Disposition (after satisfaction of SPV's obligations in respect of administrative fees and unwind costs with respect to the Collar and/or the Covered Warrants) to its members. Investor would generally be required first to apply any such distribution to reduce the outstanding amount of the Loan.

principles will apply to deny Investor a deduction with respect to its allocable share of any loss recognized by SPV on a Stock Disposition.

We are of opinion that, for U.S. Federal income tax purposes, it is more likely than not that the economic substance and business purpose doctrines will not apply to deny Investor a deduction with respect to its allocable share of any loss recognized by SPV on a Stock Disposition because Investor will have an objective potential for earning pre-tax profit and a subjective business purpose for engaging in the Proposed Transaction.

The economic substance and business purpose doctrines (collectively, the "economic substance doctrine") are a common law construct that has been applied to disallow losses in transactions that produce no (or negligible) economic profit, and that serve no independent purpose other than tax avoidance.[13] Generally, a transaction will be considered to lack economic substance if the transaction fails to meet at least one of two tests, namely (i) an objective pre-tax profit potential test or (ii) a subjective business purpose test.[14]

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[13] See generally ACM Partnership v. Commissioner, T.C.M. 1997-115 (finding that a strategy involving contingent payment installment sales to generate noneconomic capital losses that could be carried back to offset taxpayer's prior year capital gains had no economic substance because there was no reasonable prospect for taxpayer to achieve a positive pre-tax return from the strategy, taking into account transaction costs, and the strategy did not advance taxpayer's proffered liability management purpose).

[14] See, e.g., Saba Partnership, et al. v. Commissioner, T.C.M. 1999-359 (Oct. 27, 1999) (taxpayer could not recognize losses from the disposition of contingent installment sale notes where transaction did not alter taxpayer's pre-tax position and taxpayer's analysis focused on the transaction's tax benefits); Winn-Dixie Stores v. Commissioner, 113 T.C. 21 (Oct. 19, 1999) (deduction for interest and fees with respect to leveraged corporate-owned life insurance program denied where program was almost certain to produce pre-tax losses and there was no evidence of a bona fide business purpose); Compaq Computer Corp. v. Commissioner, 113 T.C. 17 (Sept. 21, 1999) (taxpayer's claim for foreign tax credit disallowed where no reasonable prospect for profit without regard to the tax benefit of the foreign tax credit and transaction was marketed as a tax reduction scheme with no other business purpose).

The objective pre-tax profit potential test involves an objective inquiry into whether, by entering into the transaction, the taxpayer had a reasonable potential to earn a pre-tax profit, taking into account all transaction costs.[15] In connection with this inquiry, the absence of economic risk to the taxpayer from the transaction is a factor tending to refute the potential for a pre-tax profit.[16] Furthermore, a remote possibility of pre-tax profit,[17] or the possibility of pre-tax profit that is unreasonably small when compared with the tax benefits attributable to the transaction, is insufficient to satisfy this test.[18]

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[15] See, e.g., Saba, T.C.M. 1999-359 (Court found that taxpayer had a guaranteed pre-tax net economic loss from the transaction after accounting for transaction costs).

[16] See, e.g., Compaq, 113 T.C. 17 (scheme was marketed to Compaq as a tax reduction scheme that was structured to eliminate typical market risks), citing Yosha v. Commissioner, 861 F.2d 494, 500-501 (7th Cir. 1988), aff'g Glass v. Commissioner, 87 T.C. 1087 (1986) (transactions that involve no market risks are not economically substantial transactions; they are mere tax artifices).

[17] See, e.g., Goldstein v. Commissioner, 364 F.2d 374 (2d Cir. 1966) (interest deductions denied in absence of independent profit motive).

[18] Although the Court has not established a threshold for the amount of pre-tax profit required to satisfy the pre-tax profit potential test, the case law suggests that the test will be satisfied as long as the pre-tax profit potential is not merely nominal. In Glass v. Commissioner, 87 T.C. 1087 (1986), the Court observed that a "very small" net economic gain might result from the closed straddle transaction that was the subject of dispute, but after comparing the potential nominal economic gains with the prearranged and "very substantial" tax losses anticipated in the first year of the straddle, the Court concluded that the transaction lacked economic substance. In Sheldon v. Commissioner, 94 T.C. 738 (1990) the Court noted that a transaction resulting in expected pre-tax profit that was "infinitesimally nominal and vastly insignificant when considered in comparison with the claimed deductions" had no economic substance.

The small quantum of economic profit needed to satisfy the test is believed to be one reason the Clinton Administration has sought a legislative change in this area. See Treasury Department, The Problem of Corporate Tax

The subjective business purpose test involves a subjective inquiry into whether the taxpayer carried out the transaction for a valid business purpose other than obtaining tax benefits. This inquiry, in turn, looks at whether the transaction is rationally related to a non-tax purpose that is plausible in light of the taxpayer's conduct, economic situation and relevant commercial practices.[19]

The economic substance doctrine has been applied relatively broadly. It is not limited to tax benefits that, by statute, are required to arise from profit-making activities.[20] In addition, the doctrine has been applied to transactions that were entered into and negotiated at arm's-length and were real (not fictitious) arrangements.[21] Then,

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Shelters: Discussion, Analysis and Legislative Proposals, at 13 (July 1, 1999) ("Corporate tax shelters can arise even in transactions that produce more than a negligible amount of pre-tax economic profit.") The Treasury Department has also cited the inconsistency with which courts have applied the pre-tax profit potential test (and, more generally, the economic substance doctrine) as a reason for legislative change. See id. at 94, 99. For a description of the legislative proposals, see id. (defining a tax avoidance transaction as any transaction in which the reasonably expected pre-tax profit (taking into account transaction costs) of the transaction is "insignificant" relative to the reasonably expected net tax benefits (each calculated on a present value basis)); see also Notice 98-5, 1998-3 I.R.B. 49 (disallowing foreign tax credits arising from certain transactions that produce an "insubstantial" economic profit in comparison to the value of the foreign tax credits obtained in the transaction).

[19] See, e.g., Cherin v. Commissioner 89 T.C. 986 (1987) ("Realistic potential for profit is found . . . when the transaction is carefully conceived and planned in accordance with standards applicable to the particular industry . . . .").

[20] See, e.g., Goldstein v. Commissioner, 364 F.2d 734 (2d Cir. 1966) (interest deductions denied even though the Internal Revenue Code, on its face, appeared to grant such deductions unconditionally).

[21] See, e.g., id. (denying interest deduction even though indebtedness was enforceable with full recourse and investments were exposed to market risk where transaction was not "economically rational" without regard to expected

too, the doctrine has not been limited to any particular provision of the Code but has been applied more generally.[22]

The Internal Revenue Service ("IRS") could attempt to apply the economic substance doctrine to disallow losses allocated to Investor by SPV with respect to a Stock Disposition. In order to apply the doctrine to disallow this tax benefit, however, the IRS would have to show both that the Proposed Transaction had no potential for pre-tax profit and that Investor had no business purpose for entering into the Proposed Transaction other than to obtain tax benefits.

We believe it is more likely than not that the economic substance doctrine will not apply to deny Investor a deduction with respect to its allocable share of a loss (if any) on a Stock Disposition since the Proposed Transaction meets the objective pre-tax profit potential test. In the Proposed Transaction, Investor is expected to realize a pre-tax profit, even taking into account transaction costs and interest expense on the Loan. Moreover, it is anticipated that the pre-tax profit will be significant in comparison to the tax benefit attributable to any loss allocated to Investor with respect to a Stock Disposition.[23]

Furthermore, Investor will have a valid non-tax reason for entering into the Proposed Transaction: Investor will purchase the SPV membership interests, in part, because an investment in these interests provides an opportunity to earn an attractive pre-tax yield.

Finally, the economic substance doctrine is intended to prevent taxpayers with no real economic stake in the transaction from claiming deductions for tax losses that do not represent real economic costs. For example, the IRS

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tax benefits).

[22] See ACM Partnership, T.C.M. 1997-115 (The "principle . . . is not limited to corporate reorganizations, but rather applies to the federal taxing statutes generally."), citing Weller v. Commissioner, 270 F.2d 294, 297 (3d Cir. 1959), aff'g Emmons v. Commissioner, 31 T.C. 26 (1958) and Weller v. Commissioner, 31 T.C. 33 (1958).

[23] This assumes, as we understand to be the case, that Investor has no plan to dispose of its membership interests in SPV in the foreseeable future, but will continue to use SPV as an investment vehicle.

might argue that, by entering into the Collar, SPV will have divested itself of all downside risk with respect to the Stocks. However, Investor will not divest itself of all the upside potential with respect to its membership interests in SPV. Moreover, upon the expiration of the Collar, Investor will again bear full downside risk with respect to the Stocks for the duration of SPV's holding period with respect to the Stocks. Accordingly, we believe that the IRS would, more likely than not, not be successful in any attempt to apply the economic substance doctrine to deny Investor a deduction for its allocable share of any loss recognized with respect to a Stock Disposition.

Partnership Anti-Abuse Regulations. You have asked our opinion as to whether the IRS would be successful if it were to attempt to deny Investor a deduction for its allocable share of any loss recognized with respect to a Stock Disposition by applying the partnership anti-abuse regulations set forth in Treasury Regulation Section 1.701-2 (the "Partnership Anti-Abuse Regulations"). We are of opinion that, more likely than not, the IRS would not be successful in any such attempt.

The Partnership Anti-Abuse Regulations grant the IRS authority to recast a transaction if a partnership is formed or availed of in connection with such transaction and a principal purpose of such transaction is to reduce substantially the present value of the partners' aggregate U.S. Federal tax liability in a manner that is inconsistent with the intent of subchapter K of the Code (which governs partnerships).[24] In such case, the IRS is granted authority to, among other recharacterizations, disregard the partnership in whole or in part or otherwise to adjust or modify the claimed tax treatment.[25]

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[24] Treas. Reg. § 1.701-2(a), (b). The intent of subchapter K is to permit the conduct of joint business (including investment) activities without incurring an entity-level tax, subject to three requirements: (i) the partnership must be bona fide and the transaction under scrutiny must have a substantial business purpose; (ii) the transaction must not run afoul of the substance-over-form principles; and (iii) the tax consequences of the transaction must properly reflect the partners' income unless any deviation from this standard is clearly contemplated by the applicable provision of the Code or Treasury Regulations. Treas. Reg. § 1.701-2(a).

[25] Treas. Reg. §§ 1.701-2(b), 1.702-2(e).

With respect to the Proposed Transaction, the IRS might argue that the failure to cause Fund to make an election under Sections 743 and 754 of the Code to step down the basis in the SPV assets upon the Purchase is inconsistent with the intent of subchapter K. Accordingly, the IRS might attempt to disregard the existence of SPV and treat Investor as though it bought the Stocks and other assets of SPV directly (with the result that Investor would receive a cost basis in the Stocks) or otherwise to deny Investor a deduction with respect to its allocable share of any loss recognized on a Stock Disposition. However, we believe that the IRS would, more likely than not, fail in any such attempt to recast the Proposed Transaction because (i) as discussed above, SPV is a bona fide partnership entered into for a substantial business purpose, (ii) the substance of the Proposed Transaction is consistent with its form (i.e., SPV was formed as, and in fact is, an investment partnership) and (iii) even though the failure to make a Code Section 754 election with respect to the Purchase may lead to a timing benefit to Investor, Congress clearly contemplated this possibility when it made Section 754 elective.

The applicability of the Partnership Anti-Abuse Regulations requires a facts and circumstances analysis of the transaction at issue. This analysis, in turn, requires a comparison of the purported business purpose of the transaction with the claimed tax benefits resulting from the transaction.[26] As discussed above, the Proposed Transaction provides Investor with an attractive investment opportunity that has a substantial annualized investment yield. The return on this investment is attractive even in the absence of any loss realized on a Stock Disposition. In addition, the Proposed Transaction does not possess the negative factors (enumerated in the applicable Treasury Regulations) that tend to indicate a purpose inconsistent with subchapter K.[27]

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[26] Treas. Reg. § 1.701-2(c).

[27] With respect to the formation of SPV: (i) Fund could only issue the Covered Warrants, and thereby earn the resulting premium income, by forming SPV; (ii) Fund had substantially more than a nominal interest in SPV, participated in the profits of SPV, and retained some upside potential, and was not protected from downside risk, with respect to the SPV assets; (iii) SPV partnership items were allocated in accordance with percentage ownership interests; (iv) none of the benefits or burdens associated with owning the Stocks was retained by Fund and (v) none of the benefits

The Treasury Regulations contain examples providing guidance on determining whether a partnership was formed or availed of with a principal tax avoidance purpose in a manner inconsistent with the intent of subchapter K. Those examples distinguish two cases, involving partnerships, in which the parties choose not to make a Section 754 election. On the one hand, in Example 8 of Treasury Regulation Section 1.701-2(d), the use of a partnership as a part of a plan to duplicate the tax benefits of an economic loss by failing to make a Section 754 election was deemed to violate the Partnership Anti-Abuse Regulations.[28] On the other hand, in Example 9, when

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and burdens associated with owning the Stocks was at any time shifted back from SPV to Fund. With respect to the Purchase: (i) the Purchase provides Investor with an enhanced return on a basket of assets, i.e. the Stocks, that would be more difficult for Investor to purchase separately in the marketplace; (ii) Investor will have substantially more than a nominal interest in SPV, will participate in the profits of SPV, and will not fully divest itself of the upside potential, nor, under some circumstances, fully protect itself from downside risk, with respect to the SPV assets; (iii) SPV partnership items will be allocated in accordance with percentage ownership interests; (iv) none of the benefits or burdens associated with owning the SPV assets will be retained by Fund after the Purchase (except possibly in connection with the Collar; however, the Collar will be a short-term hedge with arm's-length terms); and (v) it is anticipated that none of the benefits or burdens associated with owning the SPV assets will at any time be shifted from SPV to Investor. Cf. Treas. Reg. § 1.701-2(c).

[28] In Example 8, A wished to sell depreciated property (land) to B. A, however, hoped to duplicate the built-in loss in the property. Accordingly, A, C (A's brother) and W (C's wife) formed a partnership to which A contributed the land (fair market value $60, basis $100) and C and W each contributed $30 in cash (which was used to buy investment assets). Profits and losses were shared 50%, 25% and 25% among A, C and W, respectively. The partnership granted B a lease on the land for three years with a purchase option at the maturity of the lease for the land's then fair market value. In the third year, the partnership distributed the investment assets to A in liquidation of his partnership interest. Under § 732(b), A took a $100 basis in those assets. The partnership did not make a § 754 election. A then sold the assets for their fair market value of $60 and recognized a $40 loss. At the end of the third year, B purchased the land for $60 pursuant to the purchase option.

a low-basis asset was distributed in retirement to one partner, the creation of a timing benefit to the remaining partners (by virtue of their retention of basis in the partnership's remaining assets that would have been reduced had a Section 754 election been in place) was not deemed to violate the Partnership Anti-Abuse Regulations.[29]

The IRS might argue that the Proposed Transaction is more like Example 8 than Example 9. Specifically, the IRS might argue that, as in Example 8, SPV is a newly-formed partnership to which a built-in loss asset was contributed at the time of formation, thereby potentially resulting in loss duplication. Example 9, by contrast, involved an existing partnership to which the partners had contributed cash; the partnership then used that cash to purchase assets which subsequently increased in value.

We believe that, more likely than not, the IRS would not prevail in any such argument. Unlike Example 8, Fund established SPV before Investor had committed to participate in the Proposed Transaction. Moreover, the fact that Fund is a not a U.S. person for U.S. Federal income tax purposes means that, unlike the transaction described in Example 8, the Proposed Transaction will not result in the duplication of a U.S. Federal income tax benefit;[30] rather,

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The partnership, which had received a carryover $100 basis in the land, recognized a $40 loss, which loss was shared equally between C and W. Treas. Reg. § 1.701-2(d), Ex. 8.

[29] In Example 9, an investment partnership distributed non-marketable securities (fair market value $100, basis $20) in retirement to A, who had been a partner for several years. A's capital account balance and basis in his partnership interest were $100. Under § 732(b), A took a $100 basis in the marketable securities. The partnership did not have a § 754 election in place. Since the partnership did not have to reduce the bases of its remaining assets by the $80 basis increase that attached to the distributed assets, the remaining partners enjoyed a timing benefit with respect to the "excess" $80 tax basis, a timing benefit that would "turn around" when the partnership ultimately liquidated. Treas. Reg. § 1.701-2(d), Ex. 9.

[30] That is, although Investor would receive a deduction for its allocable share of any loss recognized by SPV upon a Stock Disposition, Fund will not recognize a U.S. Federal income tax loss at the time of the Purchase.

like the transaction described in Example 9, the Proposed Transaction would generally result in a timing benefit.[31]

Most importantly, the critical distinction between the two examples appears to be the reason for the formation of the partnership. In Example 8, the partnership was formed solely to allow the built-in loss with respect to the land to be duplicated, whereas in Example 9, the partnership had been formed some time prior to the transaction for legitimate investment purposes. As in Example 9, Fund will have a legitimate non-tax business purpose for forming SPV, namely to enable it to capture the bid-ask spread created by the issuance of the Covered Warrants, something, absent the formation of SPV, it would have been unable to do. Accordingly, we believe that, more likely than not, the IRS would fail in any attempt to assert that the use of SPV in the Proposed Transaction violates the Partnership Anti-Abuse Regulations.

Clear Reflection of Income. You have asked our opinion as to whether the IRS could successfully apply the "clear reflection of income" doctrine of Section 446 of the Code to deny Investor a deduction for its allocable share of any loss with respect to a Stock Disposition. We are of opinion that, more likely than not, the IRS would not be successful in any attempt to apply that doctrine because SPV will be a bona fide partnership formed for a valid business purpose and any loss recognized by Investor on a Stock Disposition will be the result of an elective provision of

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[31] That is, Investor's basis in its SPV membership interests would be decreased by the amount of the deduction received by Investor for its allocable share of any loss recognized by SPV with respect to a Stock Disposition. As a result, Investor's gain on any ultimate disposition of its SPV membership interests would be increased by such amount.

If Investor retains such SPV membership interests until his death, the basis of Investor's successor in such SPV membership interests would generally be the fair market value of such interests as of the date of Investor's death or at the alternate valuation date (as determined pursuant to § 2032 of the Code) (increased by the successor's share of partnership liabilities, if any, on that date, and reduced to the extent that such value is attributable to items constituting income in respect of a decedent). Treas. Reg. § 1.742-1. However, this would generally also be the case upon the death of any of the remaining partners described in Example 9.

the Code that Congress clearly understood could result in distortions in a taxpayer's taxable income.

Section 446(b) (addressing accounting methods) permits the IRS to deny tax benefits to the taxpayer if such tax benefits do not reflect the economic substance of the transaction.[32] Under these principles, the IRS may attempt to deny a deduction for Investor's allocable share of any loss with respect to a Stock Disposition on the basis that such loss would result in a substantial distortion of income.

However, the fact that Section 754 of the Code is elective reflects the intent of Congress to allow matters of administrative convenience to trump concerns about the lack of clear reflection of income. Indeed, the analysis in Examples 8 and 9 of the Partnership Anti-Abuse Regulations starts from the proposition that a failure to make a Section 754 election may result in distortions between the partners' outside basis in their partnership interests and the partnership's inside basis in its assets. Example 9 states that Congress clearly anticipated such basis distortions, and the electivity of Section 754 establishes Congress's intent, notwithstanding any resultant distortions, to provide an administratively convenient rule. Thus, in the context of Section 754 elections, Congress clearly resolved the tradeoff between more accurate reflection of a taxpayer's income and administrative convenience in favor of the latter, and this resolution should be respected for purposes of Section 446.[33]

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[32] Section 446(b) of the Code permits the IRS, in a case in which no method of accounting has been regularly used by a taxpayer or in which the method of accounting used does not clearly reflect income, to compute a taxpayer's taxable income under such method as does clearly reflect income. See, e.g., Ford Motor Co. v. Commissioner, 71 F.3d 209 (6th Cir. 1995), aff'g 102 T.C. 87 (1994) (taxpayer may be prevented from deducting an accrued liability that is not required to be paid for a long period of time if, based on an objective time value of money analysis, the deduction is greater than the true economic cost of the obligation).

[33] The Clinton Administration's proposal to make the basis adjustments provided for in §§ 734(b) and 743(b) of the Code mandatory in the case of a distribution of property to, or a transfer of partnership interests by, a partner who has significant built-in loss in partnership property further supports the argument that, more likely than not, a failure to make a § 754 election under such circumstances is

This view is further supported by Treasury Regulation Section 1.701-2(a)(3), which states that, in the case of certain provisions of subchapter K that were adopted to promote certain policy objectives but the application of which might produce tax results that do not clearly reflect income, the proper reflection of income requirement of the Partnership Anti-Abuse Regulations will be treated as satisfied with respect to a transaction that satisfies the bona fide partnership, substantial business purpose and substance over form requirements, so long as the ultimate tax results of the transaction are clearly contemplated by the provision in question.

Therefore, we are of opinion that the IRS would more likely than not fail in any attempt to apply the clear reflection of income doctrine set forth in Section 446 of the Code to deny Investor a deduction with respect to its allocable share of any loss recognized by SPV with respect to a Stock Disposition.

At-Risk Rules. You have asked our opinion as to whether, assuming that the Collar expires unexercised or is unwound, prior to the end of the taxable year in which a Stock Disposition occurs, the IRS would be successful if it were to attempt to deny Investor a deduction for its allocable share of any loss recognized with respect to a Stock Disposition by applying the at-risk rules set forth in Code Section 465 and the Treasury regulations promulgated thereunder (the "At-Risk Rules"). We are of opinion that, more likely than not, the IRS would not be successful in any such attempt.

In general, the At-Risk Rules apply to prevent a taxpayer from deducting losses generated by an activity, except to the extent that the taxpayer is at risk in that activity. The At-Risk Rules apply to all activities engaged in by a taxpayer in carrying on a trade or business or for the production of income.[34] For purposes of those rules, the amount at risk in any one activity is the sum of the amount of money and the adjusted basis of property

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not per se abusive under current law. See Department of Treasury, General Explanations of the Administration's Fiscal Year 2001 Revenue Proposals at 155 (Feb. 2000). The proposal would apply to distributions and transfers made after the date of enactment. See id.

[34] I.R.C. § 465(c)(1), (c)(3)(A).

contributed to the activity[35] plus any amounts borrowed for use in the activity where the taxpayer is personally liable for repayment of such amounts or has pledged property other than that used in the activity as security (but only to the extent of the net fair market value of the taxpayer's interest in the property).[36]

In the Proposed Transaction, Investor will be personally liable with respect to the Loan used to finance the Purchase.[37] However, Section 465(b)(3) provides that amounts borrowed generally are not considered to be at risk with respect to an activity if such amounts are borrowed from any person who has an interest (other than as a creditor) in such activity or from a person related to a person (other than the taxpayer) having such an interest. The IRS might argue that Investor is not at risk for the amount of the Loan because the lender, i.e., Fund, has held membership interests in SPV. However, the determination of the extent to which the taxpayer is at risk is made on the basis of the facts existing as of the close of the taxable year.[38] In the case of a pass-through entity, such as SPV, that determination is made as of the end of the entity's taxable year.[39] Since Fund will not have an interest in the capital or net profits of SPV[40] at the end of the taxable year in which the Stock Disposition occurs, Investor would,

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[35] If a taxpayer purchases an interest in an activity (rather than "contributing" to it) the taxpayer is generally considered at risk to the same extent as if it had contributed the purchase price to the activity. Prop. Treas. Reg. § 1.465-22(d).

[36] I.R.C. § 465(b).

[37] If the Loan were recharacterized as an equity interest in SPV because the Purchase will be seller-financed, more likely than not Investor would not be considered at risk with respect to the amount of the Loan until Investor repaid the Loan. I.R.C. § 465(b)(3).

[38] Prop. Treas. Reg. § 1.465-1(a); see also Joint Committee on Taxation, General Explanation of the Tax Reform Act of 1976 at 36 (Dec. 29, 1976).

[39] Prop. Treas. Reg. § 1.465-1(a).

[40] Prop. Treas. Reg. § 1.465-8(b) states that an interest in the activity means a capital interest or an interest in net profits, and that an interest in gross receipts is not sufficient.

more likely than not, be considered at risk with respect to the full amount of the Loan.

If Fund acts as Counterparty or is related to Counterparty (within the meaning of Section 465(b)(3)(C) of the Code),[41] the IRS might alternatively argue that (i) as a result of the Collar, Counterparty has an interest in the Stocks and, hence, in SPV and (ii) because Fund therefore has, or is related to a person that has, an interest in SPV, Investor should not be considered at risk with respect to the amount of the Loan. However, as discussed above, the determination of the extent to which Investor will be at risk will be made on the basis of the facts existing as of the close of the relevant taxable year. Assuming the Collar expires unexercised or is unwound prior to the end of the taxable year in which the Stock Disposition occurs, Counterparty would, more likely than not, not be considered to have an interest SPV at the end of such taxable year. Thus, Investor would, more likely than not, be considered at risk with respect to the full amount of the Loan.

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[41] For these purposes a person (the "related person") is related to any person if (i) the related person bears a relationship to such person specified in § 267(b) or 707(b)(1) of the Code (substituting a 10% ownership test for the 50% ownership test), or (ii) the related person and such person are engaged in trades or business under common control (within the meaning of § 52 of the Code). I.R.C. § 465(b)(3)(C).

Section 465(b)(4) provides that, notwithstanding any other provision of that Section, a taxpayer shall not be considered at risk with respect to amounts protected against loss through nonrecourse financing, guarantees, stop loss agreements or other similar arrangements. The IRS might argue that the put option that is part of the Collar constitutes an arrangement similar to a stop loss agreement and that Investor is therefore not at risk for the amount of the Loan (or, if less, for an amount of the Loan that equals the strike price of such put option).[42] Again, however, the at-risk determination is made at year end. Accordingly, assuming the Collar expires unexercised or is unwound prior to the end of the taxable year in which the Stock Disposition occurs, Investor would, more likely than not, be considered at risk with respect to the full amount of the Loan.[43]

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[42] Cf. R.G. Cooper, 88 T.C. 84 (Jan. 13, 1987) (investors who purchased solar water heating systems were not at risk with respect to recourse notes held by the seller because Investors' retention of put options that allowed them to sell their systems for an amount equal to the outstanding balance on the notes fully protected them from economic risk).

[43] We are assuming that Investor will not enter into another hedge, even during the year following the taxable year in which the Stock Disposition occurs, that would, when taken together with the expiration or unwind of the Collar, be considered a pattern of conduct that has the effect of avoiding the At-Risk Rules within the meaning of Prop. Treas. Reg. § 1.465-4.

> For example, increases in the amount at risk occurring toward the close of a taxable year which have the effect of increasing the amount of losses which will be allowed to the taxpayer under section 465 for the taxable year will be examined closely. If, considering all the facts and circumstances, it appears that the event which increases the amount at risk at the close of the taxable year will be accompanied by an event which decreases the amount at risk after the close of the taxable year, these amounts will be disregarded in determining the amount at risk unless the taxpayer can establish [that such increases and decreases were attributable to a valid business purpose and were not a device to avoid section 465].

Prop. Treas. Reg. § 1.465-4.

In such case, the IRS would, more likely than not, fail in any attempt to apply the At-Risk Rules to deny Investor a deduction for its allocable share of any loss recognized with respect to a Stock Disposition.

Passive Loss Rules. You have asked our opinion as to whether the IRS would be successful if it were to attempt to apply the passive loss rules of Code Section 469 and the Treasury Regulations promulgated thereunder (the "Passive Loss Rules")[44] to preclude Investor from deducting its allocable share of any loss recognized with respect to a Stock Disposition from income that Investor earns from other, nonpassive activities. We are of opinion that, more likely than not, the IRS would not be successful in any such attempt because the income earned, or loss incurred, by SPV would, more likely than not, not constitute passive income or loss.

The Passive Loss Rules generally prevent taxpayers, including members of a pass-through entity, from sheltering income from nonpassive activities with losses derived from passive activities.[45] However, "portfolio" income and loss are treated as not derived from a passive activity for this purpose.[46] Portfolio income generally consists of gross income from interest, dividends, annuities and royalties not derived in the ordinary course of a trade or business, reduced by the expenses of earning such income (including properly allocable interest expense), and includes gain or loss not derived in the ordinary course of business upon the disposition of an asset that is of a type producing portfolio income, or that is held for

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[44] Note that the determination of whether a loss is suspended under the At-Risk Rules is made prior to the application of the Passive Loss Rules. Temp. Treas. Reg. § 1.469-2T(d)(6)(i).

[45] Passive activity deductions and credits that are not allowable in the current taxable year can be carried forward indefinitely to offset passive income in a subsequent taxable year. I.R.C. § 469(b).

If a taxpayer disposes of its entire interest in any passive activity in a fully taxable transaction, any losses from that activity that are in excess of any net income or gain from all other passive activities may be used to offset nonpassive income. § 469(g)(1)(A).

[46] I.R.C. § 469(e)(1)(A); Temp. Treas. Reg. § 1.469-2T(c)(3)(i).

investment.[47] Because any loss recognized by SPV on a Stock Disposition would more likely than not be considered a loss attributable to the disposition of an asset of the type that produces portfolio income, i.e., dividends,[48] and assuming that SPV does not hold the Stocks or effect the Stock Disposition in the ordinary course of its trade or business, we believe that, more likely than not, the IRS would fail in any attempt to prevent Investor from using its allocable share of any loss recognized with respect to a Stock Disposition to offset income from other (passive or nonpassive) activities.

U.S. Federal Partnership Tax Statutes and Regulations. You have asked our opinion as to whether, assuming that the Proposed Transaction is otherwise respected for U.S. Federal income tax purposes, SPV would be denied a carryover basis in the Stocks for U.S. Federal income tax purposes as a result of either (i) Fund being deemed to transfer the Stocks to an investment partnership pursuant to Section 721(b) of the Code or (ii) the constructive termination of SPV under Section 708 of the Code on the occurrence of the Purchase. We are of opinion that, more likely than not, SPV would not be denied a carryover basis in the Stocks under those provisions because (i) only gain, not loss, is required to be recognized if property is transferred to an investment partnership and (ii) the constructive termination of SPV will not result in a step down in SPV's basis in the Stocks.

Section 721(a) of the Code provides for the nonrecognition of gain or loss upon the contribution of property to a partnership in exchange for a partnership interest. Under Section 723 of the Code, the partnership's basis in such property is the adjusted basis of such property to the contributing partner at the time of the contribution. Section 721(b) of the Code provides that subsection (a) of Section 721 does not apply to gain realized upon the transfer of property to a partnership that

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[47] I.R.C. § 469(e)(1).

[48] Even though the Stocks are not dividend-paying, the Stock Disposition would, more likely than not, be deemed a disposition of an asset that is of a type producing portfolio income or that is held for investment. See, e.g., Rev. Rul. 93-68, 1993-2 C.B. 72 (even stock in a company which had never paid a dividend was deemed property held for investment within the meaning of §§ 163(d)(5)(A) and 469(e)(1)(A) of the Code because stock generally produces dividend income (which is a type of portfolio income)).

would be treated as an investment company (within the meaning of Section 351(e) of the Code) if the partnership were incorporated. Correspondingly, Section 723 of the Code provides that the basis of property contributed to a partnership by a partner shall be increased by the amount of gain (if any) recognized under Section 721(b) by the contributing partner at the time of the contribution. We believe that, more likely than not, Section 721(b) of the Code will not operate to deny SPV a carryover basis in the Stocks contributed by Fund because, even if the transfer of the Stocks by Fund to SPV constituted a transfer to an investment partnership (within the meaning of Section 351(e)), Section 721(b) requires recognition only of gain, not loss.

We further believe that, more likely than not, the constructive termination of SPV caused by the Purchase will not result in a step down in the basis of the SPV assets. Section 708(b) of the Code provides that a termination of a partnership will occur if within a twelve month period there has been a sale or exchange of 50 percent or more of the total interest in the partnership capital and profits. In the Proposed Transaction, 100 percent of the interest in SPV capital and profits will be transferred within a twelve month period, 0.1 percent to the Related Purchaser and 99.9 percent to Investor. In such case, Treasury Regulation Section 1.708-1(b)(iv) provides that the following transactions will be deemed to occur: (i) SPV will be deemed to contribute all its assets and liabilities to a new partnership ("new SPV") in exchange for interests in new SPV; and (ii) SPV will be deemed, immediately thereafter, to distribute interests in new SPV to Investor and the Related Purchaser, in proportion to their interests in SPV, in liquidation of SPV. Thus, new SPV will have the same tax basis in the Stocks as "old" SPV did.[49] Accordingly, we believe that, more likely than not, the constructive termination under Section 708(b) of the Code of SPV at the

[49] Treas. Reg. § 1.708-1(b)(1)(iv), Ex.; I.R.C. § 723. Only if a partnership terminated under Section 708(b) has a Section 754 election in effect for the taxable year in which the termination occurs will the bases of the partnership assets be adjusted pursuant to Sections 743 and 755 prior to their deemed contribution to the "new" partnership. Treas. Reg. § 1.708-1(b)(1)(v).

time of the Purchase will not result in a step down in the basis of the assets held by SPV.

Very truly yours,

Robert W. Johnson, IV
c/o Joel Latman
Johnson Company, Inc.
630 Fifth Avenue, Suite 1510
New York, NY 10111

Woodglen I LLC
Woodglen I, Inc.
c/o Robert W. Johnson, IV
Johnson Company, Inc.
630 Fifth Avenue, Suite 1510
New York, NY 10111

6RN

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Form **8264** (Rev. November 1999)
Department of the Treasury Internal Revenue Service

Application for Registration of a Tax Shelter

► See separate instructions.

OMB No. 1545-0865

For IRS use only ☐

If this is an amended form, enter the tax shelter registration number previously issued to the tax shelter. See Amended Forms 8264 on page 2 of the instructions ►

Part I Identifying Information Note: *The tax shelter registration number will be sent to the organizer's address below.*

Tax shelter name			Tax shelter organizer's name		If you are not the principal organizer, check this box ► ☐
Reka Limited			Quadra Custom Strategies, LLC		
Number, street, and room or suite no.			Number, street, and room or suite no.		
West Bay Road, PO Box 31106 SMB			601 Union Street, 56th Floor		
City or town	State	ZIP code	City or town	State	ZIP code
Grand Cayman	Cay. Islands	BWI	Seattle	WA	98101
Identifying number	Telephone number		Identifying number	Telephone number	
98-0228543	(345) 914-8472		91-1976232	(206) 613-8700	

Part II Tax Shelter Information

1a Type of business organization: ☐ Partnership (including a limited partnership) ☐ Trust ☐ S corporation ☐ Schedule C or F activity (Form 1040) ☒ Other (specify) ► Foreign Company (electing partnership treatment)

b Is this offering subject to the aggregation rules in the regulations? ☐ Yes ☒ No

2a Principal business activity code. See page 3 of the instructions. 525990

b Secondary business activity code. If not applicable, enter N/A. N/A

3a Type of principal asset acquired (or to be acquired) Equities

b Was acquisition from a related party? ☒ Yes ☐ No

c(1) Cost (actual or projected) to tax shelter $ 248,844,063

c(2) Cost to related party $ 248,844,063

d Is the asset located in a foreign country? ☒ Yes ☐ No Country ► Cayman Islands

e Means of acquisition: ☐ Purchase ☐ Construction ☐ Lease ☒ Other (specify) ► Contribution

f(1) Date acquired 5/5/00

f(2) Date placed in service 5/5/00

4 Accounting method: ☐ Cash ☒ Accrual ☐ Hybrid ☐ Other (specify) ►

5a Is the tax shelter offering required to be registered with Federal or state agencies? ☐ Yes ☒ No

b Is the tax shelter offering exempt from Federal or state agency registration but filing of notice is required? ☐ Yes ☒ No

c If you checked "Yes" in either item 5a or 5b, check the appropriate boxes in item c(1) and/or enter the names of the states in item c(2).

c(1) Federal: ☐ SEC ☐ HUD ☐ CFTC ☐ Other

c(2) States N/A

6 Tax shelter registration number of other registered tax shelters. See page 3 of the instructions. N/A

Note: *Complete items 7a through 9e for a minimum investment unit. See instructions for item 7a beginning on page 3.*

7a Method of financing. Check applicable box and enter dollar amount.		b Length of financing
☐ (1) Cash	$ 6,570,905	
☐ (2) Property contributions	$	
☒ (3) Recourse debt	$ 103,942,452	35 years
☐ (4) Nonrecourse debt	$	
☐ (5) Other (specify)	$	
(6) Total. Add items 7a(1)-(5)	$ 110,513,357	

c Is any financing collateralized by letters of credit? ☐ Yes ☒ No

d Source of financing ☐ Unrelated party ..... % ☒ Related party 100 %

e Foreign-connected financing. If none, check this box ☐; otherwise, enter: $ 103,942,452 Country ► Cayman Islands

8a Gross deductions $ 144,901,611

b Deduction codes 99

c Total credits $ N/A

d Credit codes N/A

9 Tax shelter ratio. Complete the worksheet on the back of this form.

a Year 1 22.052 | b Year 2 N/A | c Year 3 N/A | d Year 4 N/A | e Year 5 N/A

10 Aggregate amount from sale of investment units ► $ 110,513,357

11a Maximum number of investors | b Maximum number of investment units | 12 Date investment unit was first offered for sale

Please Sign Here

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than tax shelter organizer) is based on all information of which preparer has any knowledge.

[signature] 11/14/00 President Quadra Custom Strategies LLC

Signature of tax shelter organizer — Date — Title

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ► ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address and ZIP code ► | EIN ► | Telephone number ► ( )

For Paperwork Reduction Act Notice, see

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 344

D Form 8264 (Rev. 11-99)

PSI-RWJ 000146

Tax Shelter Ratio Worksheet

Part I Tax Benefits	(a) Year 1	(b) Year 2	(c) Year 3	(d) Year 4	(e) Year 5
1 Current year's gross deductions	144,901,611				
2 Prior years' gross deductions		line 3, col. (a)	line 3, col. (b)	line 3, col. (c)	line 3, col. (d)
3 Cumulative gross deductions. Add lines 1 and 2	144,901,611				
4 Current year's credits	0				
5 Prior years' credits		line 6a, col. (a)	line 6a, col. (b)	line 6a, col. (c)	line 6a, col. (d)
6a Cumulative credits. Add lines 4 and 5	0				
b Statutory factor	3.5	3.5	3.5	3.5	3.5
c Multiply line 6a by line 6b	0				
7 Cumulative tax benefits. Add lines 3 and 6c	144,901,611				
Part II Investment Base					
8 Cash contributed	110,513,357				
9 Adjusted basis of property contributed	0				
10 Tentative investment base. Add lines 8 and 9	110,513,357				
11 Reductions to investment base	103,942,452				
12 Current year's investment base. Subtract line 11 from line 10	6,570,905				
13 Prior years' investment base		line 14, col. (a)	line 14, col. (b)	line 14, col. (c)	line 14, col. (d)
14 Cumulative investment base. Add lines 12 and 13	6,570,905				
15 Tax shelter ratio. Divide line 7 by line 14. Enter in the appropriate space on line 9 on the front of this form	22.052				

Explanation of Items

Part 1:

Domestic address is:

630 5th Avenue, Suite 1510

New York, NY 10111

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Jeff Greenstein
Sent: Tuesday, May 16, 2000 8:44 AM
To: Jeff Greenstein; Larry Scheinfeld; Chuck Wilk; Andrew J Robbins
Subject: RE: POINT

under $900 in losses as of now

-----Original Message-----
From: Jeff Greenstein
Sent: Monday, May 15, 2000 1:24 PM
To: Larry Scheinfeld; Chuck Wilk; Andrew J Robbins
Subject: RE: POINT

just to give you a perspective on timing - this morning we had approximately 1.4 bln in usable losses, on the close we had about 1.15 billion. If the market moves to where [redacted] is break-even it will probably be down to about 700 mln. We will try to add more positions to generate losses but they are a function of market moves. As bad as it sounds, the "snooze you lose" comment may unfold for those who can't make decisions in a timely manner. Without being to aggressive, we should make people who are considering this trade aware of the timing ramifications.

-----Original Message-----
From: Larry Scheinfeld
Sent: Monday, May 15, 2000 8:11 AM
To: Chuck Wilk; Jeff Greenstein; Andrew J Robbins
Subject: RE: POINT

could someone in Seattle keep a log and update weekly

-----Original Message-----
From: Chuck Wilk
Sent: Monday, May 15, 2000 11:02 AM
To: Jeff Greenstein; Larry Scheinfeld; Andrew J Robbins
Subject: RE: POINT

Add to prospect list:
[redacted]

-----Original Message-----
From: Jeff Greenstein
Sent: Monday, May 15, 2000 7:48 AM
To: Larry Scheinfeld; Chuck Wilk; Andrew J Robbins
Subject: RE: POINT

big trade pending w/[redacted]p ?) At this point I think we need to notify people that it is truly first come first served. Since the losses are dependent on market moves, who knows how many we will have at any point in thime

-----Original Message-----
From: Larry Scheinfeld
Sent: Monday, May 15, 2000 7:24 AM
To: Chuck Wilk
Cc: Jeff Greenstein; Andrew J Robbins; Norm Bontje; Bryan White; Charles Clarvit
Subject: POINT

Looks like we have no more room on the POINT trade . We should be very careful about selling any more. List is as follows:

[redacted] - DONE
Woody - DONE
[redacted] -DONE
[redacted] - PENDING

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 347

PSI-QUEL 12073

From: Larry Scheinfeld
Sent: Monday, August 21, 2000 1:12 PM
To: Chuck Wilk
Cc: Jeff Greenstein; Andrew J Robbins
Subject: RE: POINT

Do you think we could get Lou to do one more for a client who already agreed to go ahead with a Cravath opinion!

-----Original Message-----
From: Chuck Wilk
Sent: Monday, August 21, 2000 11:55 AM
To: Larry Scheinfeld
Cc: Jeff Greenstein; Andrew J Robbins
Subject: RE: POINT

As of now, I would guess no losses for 2000 but we could start a trade that had 2001 losses. Akin Gump has written this opinion for a corporate client but they definetly require more time between events that we did on the first three trades. Jim Barry is back from vacation this week and I will speak with him on opining. Bryan Cave is a remote possibility (given their fee structure). I believe Sherman and Sterling opined for the Lehman trade and I will try to get a contact name. Jeff and I spoke and decided that in future trades we will try to have bank borrowing and actual cash purchases. All that said if we can get a firm committment to opine and we started early in September and we had favorable market vloatility) we may be able to generate 2000 loss.

-----Original Message-----
From: Larry Scheinfeld
Sent: Monday, August 21, 2000 6:00 AM
To: Chuck Wilk
Cc: Jeff Greenstein; Andrew J Robbins
Subject: POINT

Will we be able to do any more transactions this year ?? I want to get back to two clients who are pretty far down the road. I would think 9/15 would be a drop dead date. Do you anticipate hearing back from any reputable firms ? I want to be honest with these prospects. I also have several meetings set up that I think I should probably postpone .

From: Larry Scheinfeld
Sent: Monday, August 21, 2000 2:22 PM
To: Chuck Wilk
Subject: RE: POINT

no problem, I understand

-----Original Message-----
From: Chuck Wilk
Sent: Monday, August 21, 2000 3:19 PM
To: Larry Scheinfeld
Subject: RE: POINT

I would like to keep you on the sidelines or in our back pocket until we need a trump card (lots of cliches). It may be that given the current atmosphere we need to pay the law firms more and give them a guarantee.

-----Original Message-----
From: Larry Scheinfeld
Sent: Monday, August 21, 2000 12:16 PM
To: Chuck Wilk
Cc: Jeff Greenstein; Andrew J Robbins
Subject: RE: POINT

would it be of any help to you if i called Bryan Cave

-----Original Message-----
From: Chuck Wilk
Sent: Monday, August 21, 2000 11:55 AM
To: Larry Scheinfeld
Cc: Jeff Greenstein; Andrew J Robbins
Subject: RE: POINT

As of now, I would guess no losses for 2000 but we could start a trade that had 2001 losses. Akin Gump has written this opinion for a corporate client but they definetly require more time between events that we did on the first three trades. Jim Barry is back from vacation this week and I will speak with him on opining. Bryan Cave is a remote possibility (given their fee structure). I believe Sherman and Sterling opined for the Lehman trade and I will try to get a contact name. Jeff and I spoke and decided that in future trades we will try to have bank borrowing and actual cash purchases. All that said if we can get a firm committment to opine and we started early in September and we had favorable market vloatility) we may be able to generate 2000 loss.

-----Original Message-----
From: Larry Scheinfeld
Sent: Monday, August 21, 2000 6:00 AM
To: Chuck Wilk
Cc: Jeff Greenstein; Andrew J Robbins
Subject: POINT

Will we be able to do any more transactions this year ?? I want to get back to two clients who are pretty far down the road. I would think 9/15 would be a drop dead date. Do you anticipate hearing back from any reputable firms ? I want to be honest with these prospects. I also have several meetings set up that I think I should probably postpone .

From: Eric M. Schuehle
Sent: Wednesday, September 27, 2000 12:15 PM
To: Christopher Hirata; Conversion Trade
Subject: RE: Point Names Ideas

I give them all a 10....I don't like them.

-----Original Message-----
From: Christopher Hirata
Sent: Wednesday, September 27, 2000 10:14 AM
To: Conversion Trade
Subject: RE: Point Names Ideas

Everyone rank these from 1 to 10

Sienna Trading Partners, LLC
Coral Trading Partners, LLC
Cerulean Trading Partners, LLC
Cobalt Trading Partners, LLC
Chestnut Trading Partners, LLC
Orchid Trading Partners, LLC
Vermillion Trading Partners, LLC
Veridian Trading Partners, LLC
Mahogany Trading Partners, LLC

-----Original Message-----
From: Brian Hanson
Sent: Wednesday, September 27, 2000 9:53 AM
To: Conversion Trade
Subject: RE: Point Names Ideas

I was working with a limited list of colors (not the whole box of 64) - I like the additions. Metals sound cool. [redacted]

-----Original Message-----
From: Christopher Hirata
Sent: Wednesday, September 27, 2000 9:45 AM
To: Conversion Trade
Subject: RE: Point Names Ideas

Don't know if I like this theme. Here are some more ideas though (some approved off the original list, some new). How about metals? (i.e. Steel, Titanium, Platinum, etc.)

Sienna
Coral
Cyan
Silver
Cerulean
Chestnut
Mahogany
Shadow
Orchid
Cobalt

-----Original Message-----
From: Brian Hanson
Sent: Wednesday, September 27, 2000 9:32 AM
To: Conversion Trade

Subject: Point Names Ideas

azure
sienna
magenta
indigo
coral
cyan
orchid
aquamarine
ivory
silver

Maybe we pick a color that correlates to their first or last name?

From: Brian Hanson
Sent: Tuesday, September 26, 2000 6:49 PM
To: 'Raj Puri (euram)'
Cc: Christopher Hirata; Eric M. Schuehle
Subject: Draft Docs

Raj,

Here are the documents, along with a brief summary of the changes made, for your review. Please do not take the changes for granted. In other words, please review them thoroughly yourself for accuracy and relevance to the "big picture".

Retained, New or Modified Documents

Purchase Agreements:
1. Investing G.P. will buy a minority interest from Selling G.P.
2. Investing L.P. will buy a majority interest from Selling L.P.
3. All references to seller financing removed
4. All references to future payment dates removed
5. All references to option purchases removed
6. Change dates

Contribution Agreement
1. Should remain the same except for number of shares and Appendix w/new portfolio
2. Change dates

Novation Agreement
1. All references to buyer being responsible for collateral removed.
2. Specifically state that the full collateral repayment obligation remains with the original party.
3. Change dates

Stock Lending Unwind Agreement (New)
1. This document should be drafted to reflect the fact that the investor, via the Delaware LP, is calling the portfolio of stocks from Jackstones pursuant to their rights under the Lending Agreement. I think that, if worded properly, this document could replace the Tripartite Set-Off Agreement and Unwind and Purchase Agreement. Since payment is made in full on day one and this document shows all shares being transferred to the LP on day one, the Tripartite Agreement seems unnecessary. The Unwind document is no longer valid since the purchase is fully funded up front. Let's just make sure that the LP is clearly not liable to repay any of the collateral obligation that Jackstones has to Barnville

Global Call Warrant
1. Change dates and amounts

Subscription Agreement
1. Change dates and amounts

Warrant Termination
1. Change dates and amounts

Purchase Agreement #1.doc | Purchase Agreement #2.doc | Contribution Agreement.doc | Novation.doc | Stock Lending Unwind Agreement.. | Subscription Agreement.doc | Warrant.doc

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 356

PSI-QUEL 09441


Warrant
Unwind.doc

Obsolete Documents

Promissory Note
1. All financing to be done through Bank - applications, etc..

Put Option Confirmation
1. We will use Bank templates for confirmations

Call Option Confirmation
1. We will use Bank templates for confirmations

Termination Agreement
1. We will use Bank templates for terminations

Unwind and Purchase Agreement - see above

Tripartite Set-Off Agreement - see above

Miscellaneous

We need to make sure that a Bank account gets set up for Jackstones.

This PDF file, compiled by Eric Schuehle, details all recent (may be older than the June timeframe you indicated) Corporate Actions for the stocks in the portfolio. Please update your spreadsheets to reflect this activity.


Port.pdf

Sorry about the long, yet necessary email. Please let me know if you have any questions about the documents. As you mentioned earlier to Chris, and I agree, it is in all of our best interests to come up with documents that will work for all trades from the start. Let's work closely together on these to get them right.

I hope all is well on your side of the pond.

Brian

7/17/01 email

Rajan Puri Brian M. Hanson, Chris M. Hirata, Sara M. Hunt

- Raj,

The trade for Saban is becoming rather imminent. We have been asked by the client to present them with two scenarios. One basket with losses at $750M and one basket with $800M. Only one basket will be chosen at the end of the day but since the economics have not yet been nailed down we need to be prepared to consider both scenarios. Each scenario has the same equities with differing share amounts. Also, please note that the $800M basket includes 733,000 shares of ADP that the $750M does not have. Shares from previously proposed trades you have reviewed have been ignored since the shares are considered "first come first serve".

I need you to verify that the per share basis values are correct, that the shares under either scenario are available and that the total losses total out to the as shown. Raj, I know that this goes without saying and that it is the case in every trade we do but I have been told that there is absolutely no margin for error with this trade due to its size and our excellent relationship with the client. I cannot stress enough that we make sure that everything ties out as far as the available shares and corresponding losses. If you feel it necessary, perhaps someone from Barnville should even take a look. I do not mean to sound condescending or demanding, just passing on what has been passed on to me.

I look forward to a favorable review of the baskets. If you have any questions about the baskets or the pending trade in general, feel free to contact me at (206) [redacted]

Thanks

Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 360

PSI-QUEL 39463

[redacted] = Redacted by the Permanent Subcommittee on Investigations

George Wendler/HBUS/HSBC
08/30/2001 11:37 AM

To Robert Treanor/[redacted]
Albert Yu/[redacted]
cc Schreiber/[redacted]
Pan/[redacted]
bcc
Subject Re: Saban's additonal $77 million request

i think you'll agree this difference in the deal does not materially change the credit..... particularly, with $70mm being protected by the collar!!
if you agree i would ask you, albert and rusty to call phil hargreaves with the change and inform him this has iain and my endorsement and elicit his comments or approval.....i don't know whether this change will require he go back to the Chairman but lets see whether he has any issue.

Robert Treanor on 30 Aug 2001 10:57

Robert Treanor on 30 Aug 2001 10:57

Note
30 Aug 2001 10:57

From:	Robert Treanor	Tel:	(1 212) [redacted]
Title:	Executive Vice President	Location:	452 5th Ave, Floor 03
WorkGroup:	RNB Domestic Lending Support	Mail Size:	33635

To: George Wendler
Subject: Saban's additonal $77 million request

here is their addendum i told rusty we are very reticent to go back to ghq and that griff agreed. he will talk it over with griff and petri

---------- Forwarded by Robert Treanor[redacted] on 08/30/2001 10:56 AM ----------

Mary Pan
29 Aug 2001 11:27

To: Robert Treanor
cc: Albert Yu, et al
Subject: Saban's additonal $77 million request

Bob,
Attached please find the memo recommending the increase. Pls advise if you have any questions.
Many thanks.

Silverlight-addition.doc

Recommendation for Ammendment of Incremental $77 million Loan to Silverlight Enterprises L.P. Owned by Haim Saban

Request

Approval is recommended for an incremental $77 million loan and a fully collateralized equity collar on &70 million of shares to Silverlight, L.P.; the collar is intended to provide a guaranteed market value on the ~~collateral for the major part of the loan. This recommendation is based on:~~

- High Quality Collateral:
  - $70 million of liquid shares with an equity collar provided by HBUS via the Derivatives & Structured Products in New York, guaranteeing $70 million minimum market value at maturity.
- Additional Collateral
  - $832 million in proceeds from part of the sale of Fox Family Worldwide (FFW) to Disney
  - $17 million in marketable securities and $21.6 million in LP (hedge fund) interest
- Guarantee of Titanium Trading Company which will hold an additional $752 million of FFW. HSBC will have assignment of the proceeds of these FFW shares as well.

All other terms and conditions remain unchanged as per previously approved.

Total Collateral: $2,423 million
Total Exposure: $807 million (LTV 33%)
Excluding Collar: $123 million (LTV 7.4%)

Reason for Request

The reason for the request is that Silverlight has an additional basis, which it wants to defer. At this time $70 million dollar portfolio with the appropriate losses have become available and Silverlight wishes to take advantage of this opportunity. The additional $7 million is to pay the collar premium and other expenses.

Conclusion

At a 90% LTV against the collared stocks, the additional exposure of $14 million will be secured by the existing $1.663 billion of collateral. This will increase our LTV on the collateral not secured by the collars from 6.55% to 7.4% only. In view of the short-term nature of the facility and our substantial pool of collateral, approval is recommended.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Russell Schreiber/HBUS/HSBC
09/07/2001 04:18 PM

To Dale Ramquist <[redacted]
cc Christopher Hirata <[redacted]
cwilk[redacted]
bcc
Subject Re: saban basket

Dale-

I spoke to Chuck. I'm not sure that you benefit that much from cutting out the five positions versus reducing the number of shares. Optimum might be to delete two positions and reduce ADP.

Rusty

Dale Ramquist <[redacted] on 07 Sep 2001 14:57

Dale Ramquist <[redacted]n 07 Sep 2001 14:57

To: Russell Schreiber
cc: Christopher Hirata
Subject: saban basket

****
This message originated from the Internet. Its originator may or may not be who they claim to be and the information contained in the message and any attachments may or may not be accurate.
****

hey rusty--

the loss amount has been revised--again(!) can you call myself or chris hirata when you ahve a moment? want to discuss a couple of perameters i'm at 206[redacted], chris is at [redacted] thank you, sir!

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 369

HUI 0004197

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Christopher Hirata [redacted]
09/05/2001 11:11 PM

To Russell Schreiber/H[redacted]
cc "mkrane@[redacted] Wilk <cwilk[redacted]
bcc
Subject

****
This message originated from the Internet. Its originator may or may not be who they claim to be and the information contained in the message and any attachments may or may not be accurate.
****

Rusty,

In response to your email to Chuck, here is the summary of activity for the next week:

Friday - September 7, 2001: Barnville Limited ("Barnville") contributes stock (via novation of a lending agreement with Jackstones Limited ("Jackstones")) to Titanium Trading Partners LLC ("TTP").
Monday - September 10, 2001: HSBC Bank USA ("HSBC") loans $800 million to Silverlight Enterprises L.P. ("Silverlight"). Jackstones purchases stock portfolio (T+3) and delivers stock to TTP pursuant to the unwind of the stock lending agreement. TTP purchases 100%/108% collar on the stock portfolio from HSBC (T+3).
Tuesday - September 11, 2001: Silverlight contributes the loan proceeds to Titanium Acquisition Corp. ("TAC").
Wednesday - September 12, 2001: TAC purchases 99% interest in TTP from Barnville. HSBC loans ~$8 million to Cheryl Saban. Cheryl Saban purchases 1% interest in TTP from EAICS. TAC contributes remaining cash to TTP.
Thursday - September 13, 2001: Jackstones pays HSBC for purchase of the stock portfolio. TTP pays HSBC for purchase of the 100%108% collar.

Also, attached is the latest version of the stock portfolio using closing prices as of today, September 5th. Lastly, the collar will be struck at 100%/108% and should expire January 2, 2002 (~115 days based on a trade date of September 10, 2001).

<<Basket 09.05.01.xls>>

Regards,

Chris Hirata
Quellos Custom Strategies, LLC
Phone: (206) 613-6700
Fax: (206) 613-6713

 - Basket 09.05.01.xls

Titanium Trading Partners LLC

Hypothetical Portfolio as of 9/5/01

Ticker	Name	Date
ADBE	Adobe Systems, Inc.	9/5/2001
ADP	Automatic Data Processing, Inc.	9/5/2001
AMAT	Applied Materials, Inc.	9/5/2001
AMCC	Applied Micro Circuits Corporation	9/5/2001
AOL	AOL Time Warner, Inc.	9/5/2001
BEAS	BEA Systems, Inc.	9/5/2001
BGEN	Biogen, Inc.	9/5/2001
BRCD	Brocade Communication Systems, Inc.	9/5/2001
CCU	Clear Channel Communications, Inc.	9/5/2001
CSCO	Cisco Systems, Inc.	9/5/2001
DELL	Dell Computer Corporation	9/5/2001
EBAY	eBay, Inc.	9/5/2001
MU	Micron Technology, Inc.	9/5/2001
NOK	Nokia Corporation	9/5/2001
ORCL	Oracle Corporation	9/5/2001
PCS	Sprint PCS Group	9/5/2001
Q	Qwest Communications International, Inc.	9/5/2001
SUNW	Sun Microsystems, Inc.	9/5/2001
TER	Teradyne, Inc.	9/5/2001
VRTS	VERITAS Software Corporation	9/5/2001
WCOM	Worldcom Group	9/5/2001
XLNX	Xilinx, Inc.	9/5/2001

Shares	Price	Purchase Price
1,728,000	32.2000	55,641,600
1,733,000	51.0600	88,486,980
1,120,000	42.0700	47,118,400
300,000	13.4700	4,041,000
1,649,485	36.7500	60,618,574
1,000,000	14.4600	14,460,000
953,516	60.6600	57,840,281
400,000	20.2400	8,096,000
973,596	48.6000	47,316,766
350,000	14.8800	5,208,000
2,238,000	22.3800	50,086,440
1,538,462	54.6500	84,076,948
1,298,000	36.0000	46,728,000
300,000	13.8500	4,155,000
1,300,000	12.0700	15,691,000
1,756,000	23.8600	41,898,160
2,339,181	20.2500	47,368,415
300,000	10.6300	3,189,000
1,087,000	30.2700	32,903,490
300,000	25.1000	7,530,000
300,000	13.3500	4,005,000
1,208,000	38.1700	46,109,360

Total Portfolio Purchase Price 772,568,413

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Mary Pan/HBUS/HSBC
08/20/2001 03:55 PM

To Russell Schreiber/[redacted]
cc
bcc
Subject Silverlight

- Barnville and Jackstone are Isle of Man entities owned by a trust with mutual board members for both entities. Ultimately, members of the Quellos Group and some offshore partners are controlling shareholders of these two entities.
- Barnville buys entities with losses that existing shareholders can not use the tax deductions. ie foreign entities with investment losses in the US equity markets but can not write off the losses. They warehouse these losses until a buyer is located that can take advantage of the situation.
- Jackstone will short the stock holdings in the entities purchased by Barnville as a hedge and entered a stock borrowing arrangement with Barnville to secure the short position.

THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT (THE "WARRANTS") HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISON (THE "CFTC") UNDER THE UNITED STATES COMMODITY EXCHANGE ACT (THE "COMMODITY EXCHANGE ACT"). THE WARRANTS, OR INTERESTS THEREIN, MAY NOT AT ANY TIME BE OFFERED, SOLD, RESOLD, TRADED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA (INCLUDING THE STATES AND THE DISTRICT OF COLUMBIA), ITS TERRITORIES, ITS POSSESSIONS AND OTHER AREAS SUBJECT TO ITS JURISDICTION ("UNITED STATES") OR DIRECTLY OR INDIRECTLY OFFERED, SOLD, RESOLD, TRADED OR DELIVERED TO, OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON ("U.S. PERSON") WHO IS (I) AN INDIVIDUAL WHO IS A CITIZEN OR RESIDENT OF THE UNITED STATES; OR (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANISED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR WHICH HAS ITS PRINCIPAL PLACE OF BUSINESS IN THE UNITED STATES; OR (III) ANY ESTATE OR TRUST WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME; OR (IV) ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND IF ONE OR MORE UNITED STATES TRUSTEES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST; OR (V) A PENSION PLAN FOR THE EMPLOYEES, OFFICERS OR PRINCIPALS OF A CORPORATION, PARTNERSHIP OR OTHER ENTITY DESCRIBED IN (II) ABOVE; OR (VI) ANY ENTITY ORGANISED PRINCIPALLY FOR PASSIVE INVESTMENT, TEN PER CENT OR MORE OF THE BENEFICIAL INTERESTS IN WHICH ARE HELD BY PERSONS DESCRIBED IN (I) THROUGH (V) ABOVE IF SUCH ENTITY WAS FORMED PRINCIPALLY FOR THE PURPOSE OF INVESTMENT BY SUCH PERSONS IN A COMMODITY POOL THE OPERATOR OF WHICH IS EXEMPT FROM CERTAIN REQUIREMENTS FROM PART 4 OF THE CFTC'S REGULATIONS BY VIRTUE OF ITS PARTICIPANTS BEING NON-U.S. PERSONS; OR (VII) ANY OTHER "U.S. PERSON" AS SUCH TERM MAY BE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT OR IN REGULATIONS ADOPTED UNDER THE COMMODITY EXCHANGE ACT. IN ADDITION IN THE ABSENCE OF RELIEF FROM THE CFTC, OFFERS, SALES, RE-SALES, TRADES OR DELIVERIES OF WARRANTS, OR INTERESTS THEREIN, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS MAY CONSTITUTE A VIOLATION OF UNITED STATES LAW GOVERNING COMMODITIES TRADING. CONSEQUENTLY, ANY OFFER, SALE, RE-SALE, TRADE OR DELIVERY MADE, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON WILL NOT BE RECOGNISED.

TITANIUM TRADING PARTNERS LLC
(the "Issuer")
GLOBAL CALL WARRANT
In relation to a
Basket of Shares of Companies in the US Technology Sector due 21 September 2006

This global warrant (the "**Global Warrant**") represents a duly authorised issue of 1000 warrants (the "**Warrants**" and each one a "**Warrant**") in relation to a Basket of Shares of Companies in the US Technology Sector due 21 September 2006. The Global Warrant is subject to the attached terms and conditions (the "**Conditions**").

The Global Warrant shall be governed by and construed in accordance with English law.

In witness whereof this Global Warrant has been executed by Titanium Trading Partners LLC as a deed poll and delivered on the day and year first below written.

Dated 21 September 2001

SIGNED as a deed)
by **Titanium Trading Partners LLC**)
DIRECTOR OF MANAGING MEMBER

In the presence of: ARTIN SHAHIN

Witness' signature ....

Name: ARTIN SHAHIN

Address: ONE SPRAT CUMBERLAND PLACE, LONDON

THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT (THE "WARRANTS") HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISON (THE "CFTC") UNDER THE UNITED STATES COMMODITY EXCHANGE ACT (THE "COMMODITY EXCHANGE ACT"). THE WARRANTS, OR INTERESTS THEREIN, MAY NOT AT ANY TIME BE OFFERED, SOLD, RESOLD, TRADED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA (INCLUDING THE STATES AND THE DISTRICT OF COLUMBIA), ITS TERRITORIES, ITS POSSESSIONS AND OTHER AREAS SUBJECT TO ITS JURISDICTION ("UNITED STATES") OR DIRECTLY OR INDIRECTLY OFFERED, SOLD, RESOLD, TRADED OR DELIVERED TO, OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON ("U.S. PERSON") WHO IS (I) AN INDIVIDUAL WHO IS A CITIZEN OR RESIDENT OF THE UNITED STATES; OR (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANISED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR WHICH HAS ITS PRINCIPAL PLACE OF BUSINESS IN THE UNITED STATES; OR (III) ANY ESTATE OR TRUST WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME; OR (IV) ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND IF ONE OR MORE UNITED STATES TRUSTEES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST; OR (V) A PENSION PLAN FOR THE EMPLOYEES, OFFICERS OR PRINCIPALS OF A CORPORATION, PARTNERSHIP OR OTHER ENTITY DESCRIBED IN (II) ABOVE; OR (VI) ANY ENTITY ORGANISED PRINCIPALLY FOR PASSIVE INVESTMENT, TEN PER CENT OR MORE OF THE BENEFICIAL INTERESTS IN WHICH ARE HELD BY PERSONS DESCRIBED IN (I) THROUGH (V) ABOVE IF SUCH ENTITY WAS FORMED PRINCIPALLY FOR THE PURPOSE OF INVESTMENT BY SUCH PERSONS IN A COMMODITY POOL THE OPERATOR OF WHICH IS EXEMPT FROM CERTAIN REQUIREMENTS FROM PART 4 OF THE CFTC'S REGULATIONS BY VIRTUE OF ITS PARTICIPANTS BEING NON-U.S. PERSONS; OR (VII) ANY OTHER "U.S. PERSON" AS SUCH TERM MAY BE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT OR IN REGULATIONS ADOPTED UNDER THE COMMODITY EXCHANGE ACT. IN ADDITION IN THE ABSENCE OF RELIEF FROM THE CFTC, OFFERS, SALES, RE-SALES, TRADES OR DELIVERIES OF WARRANTS, OR INTERESTS THEREIN, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS MAY CONSTITUTE A VIOLATION OF UNITED STATES LAW GOVERNING COMMODITIES TRADING, CONSEQUENTLY, ANY OFFER, SALE, RE-SALE, TRADE OR DELIVERY MADE, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON WILL NOT BE RECOGNISED.

TITANIUM TRADING PARTNERS LLC

(the "Issuer")

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Basket of Shares of Companies in the US Technology Sector due 21 September 2006

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In witness whereof this Global Warrant has been executed by Titanium Trading Partners LLC as a deed poll and delivered on the day and year first below written.

Dated 21 September 2001

SIGNED as a deed)
by **Titanium Trading Partners LLC**)

In the presence of: .....

Witness' signature .....

Name: .....

Address: .....

PSI-QUEL 23727

TERMS AND CONDITIONS OF WARRANTS

1. Definitions

In these conditions:

"Announcement Date" means (i) in respect of a Nationalisation, the date of the first public announcement of a firm intention to nationalise (whether or not amended or on the terms originally announced) that leads to the Nationalisation and (ii) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, in each case as determined by the Issuer.

"Basket" means, with respect to a Warrant, a basket of shares comprising the Basket Shares specified in Schedule A hereto.

"Basket Share" means any share that is for the time being comprised in the Basket.

"Delivery Disruption" means, in the opinion of the Issuer, the failure of the Issuer to deliver on the Shares Settlement Date the requisite number of Basket Shares that is due solely to illiquidity in the market for such Basket Shares.

"EAIB" means European American Investment Bank AG, a financial institution organised under the laws of Austria.

"Exchange Notice" means a notice substantially in the form of the Exercise Notice as set out in Schedule A to these Conditions.

"Exercise Price" means USD $1,153,292 per Warrant, less an amount (if any) equal to the net amount of any dividends payable on the Share Entitlement which are reflected by a change from cum dividend quotation to ex dividend quotation of the Basket Shares on the relevant Share Exchange(s) on any day falling after the Trade Date and on or before the Exercise Date.

"Exercise Date" means 21 September 2006.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the issuer of the Basket Shares are required to be transferred to a trustee, liquidator or other similar official, or (if holders of the Basket Shares become legally prohibited from transferring them.

"Issue Date" means 21 September 2001.

"Merger Date" means, in respect of a Merger Event, the date upon which all holders of the necessary number of Basket Shares to constitute a Merger Event (other than, in the case of a take-over offer, Basket Shares owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Basket Shares.

"Merger Event" means, in respect of the Basket Shares, any (i) reclassification or change of such Basket Shares that results in a transfer of or an irrevocable commitment to transfer all such Basket Shares outstanding: (ii) consolidation, amalgamation or merger of the issuer of the Basket Shares with or into another entity (other than a consolidation, amalgamation or merger in which the issuer of the Basket Shares is the continuing entity and which does not result in any such reclassification or change of all such Basket Shares outstanding): or (iii)

other take-over offer for such Basket Shares that result in a transfer of or an irrevocable commitment to transfer all such Basket Shares (other than such Basket Shares owned or ~~controlled by the offeror), in each case if the Merger Date is on or before the Expiration Date~~

"**Merger Event Settlement Amount**" means an amount as determined by the Issuer which shall seek to preserve for the Holder(s) (as defined under Clause 2) the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after the date but for the occurrence of the Merger Event.

"**Nationalisation**" means, with respect to any of the Basket Shares, all the Basket Shares or all the assets or substantially all the assets of the issuer of the Basket Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"**Nationalisation/Insolvency Settlement Amount**" means an amount determined by the Issuer which shall seek to preserve for the Holders(s) the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant (s) after that date but for the occurrence of the Nationalisation or Insolvency (as the case may be).

"**New Shares**" means shares (whether of the offeror or a third party).

"**Other Consideration**" means cash and/or any securities (other than New Shares) or assets (whether of the offeror or a third party).

"**Potential Adjustment Event**" means, with respect to any of the Basket Shares:

(a) a subdivision, consolidation or reclassification of the Basket Shares (unless a Merger Event), or a free distribution or dividend of any such Basket Shares to existing holders by way of a bonus, capitalisation or similar issue;

(b) a distribution or dividend to existing holders of the Basket Shares of (i) such Basket Shares, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Basket Shares equally or proportionately with such payments to holders of such Basket Shares, or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Issuer;

(c) an extraordinary dividend;

(d) a call by the issuer of the Basket Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(e) any other similar event that may have a diluting or concentrative effect on the theoretical value of the Basket Shares.

"**Settlement Business Day**" means a day (other than Saturday or Sunday) on which each (i) banks in New York and the relevant Settlement System are open for business.

"**Settlement Disruption**" means, in the opinion of the Issuer, any circumstance beyond the control of the Issuer as a result of which the relevant Settlement System cannot clear the transfer of the appropriate number of Basket Shares.

"**Settlement System**" means, with respect to Basket Shares, the system through which such ~~shares are customarily settled or any successor to such respective settlements systems. If the~~ relevant settlement system ceases to settle the Basket Shares, the Issuer will, in its sole discretion, determine another manner of settlement of such Basket Shares.

"**Share Entitlement**" means one Basket per Warrant.

"**Share Exchange**" means, with respect to a Basket Share, NASDAQ, or such other stock exchange as the Issuer shall determine to be the principal stock exchange on which a Basket Share is listed or traded.

"**Share Settlement Date**" means, subject to Condition 6, the fifth Settlement Business Day after the Exercise Date.

"**USD**" means lawful currency of the United States of America.

2. Form and Transfer

The Warrants will at all times be represented by a Global Warrant which will not itself be transferable and which will be deposited with EAIB. Definitive warrants will not be issued.

Notwithstanding any notice to the contrary, the person for the time being appearing in the books of EAIB as the holder of a Warrant shall, for all purposes, be treated by the Issuer and all other persons as the person who is from time to time entitled to exercise the Warrants, being the person who is recorded in the books of EAIB as the holder thereof (the "**Holder**" and, collectively, the "Holders").

All transactions involving the Warrants (including transfers), in the open market or otherwise, must be affected through an account at, and in accordance with any applicable rules and procedures of EAIB. Title to each Warrant will pass upon registration of the transfer in the books of the relevant Clearing System. The minimum trading lot for the Warrants is one Warrant and multiples of one Warrant thereafter.

3. Status

The Warrants (i) constitute unsecured and unsubordinated obligations of the Issuer, (ii) rank equally among themselves and (iii) at the date the Warrants were issued rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by law. The underlying assets do not constitute obligations of the Issuer and the issue of Warrants shall not result in any rights or obligations arising on the Holder or the Issuer in respect of such underlying assets. Neither the Issuer nor the Holder is obliged (but it may) to purchase, hold or deliver (other than in accordance with these Conditions) any underlying assets.

The Warrants are not secured by any of the Basket Shares or any other securities.

4. Exercise Rights

(a) Exercise Rights

Each Warrant will, when duly exercised in accordance with the terms and conditions set out below, entitle the Holder to purchase from the Issuer the Basket in consideration of the payment of the Exercise Price.

(b) Issuer's Obligations

~~In no event shall the Issuer have any liability for indirect, incidental or consequential damages~~ (whether or not it has been advised of the possibility of such damages).

The exercise and settlement of the Warrants is subject to all applicable fiscal and other laws, regulations and practices in force on and following the Exercise Date and/or the Share Settlement Date.

The Issuer shall not incur any liability whatsoever if, after using its reasonable efforts, it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices.

(c) Prescription

If an Exercise Notice for a Warrant has not been duly completed and delivered in accordance with the provisions of Condition 5 set out below, by 10:00am (London time) on the Expiration Date, than that Warrant shall become void.

5. Exercise Procedure

(a) Exercise Notice

Subject to the exercise by the Issuer of the Issuer Call Right in accordance with Condition 12, or the to prior cancellation by the Issuer in accordance with the provisions of Condition 13, the Warrants may be exercised on the Exercise Date by the Holder delivering a duly completed Exercise Notice to EAIB on or before 12.00am (London time) on such day. Any Exercise Notice delivered after 12.00am on the Exercise Date shall be void and of no effect.

The Exercise Notice shall be in substantially the form set out in Schedule B hereto.

(b) Verification

Upon receiving an Exercise Notice, EAIB, shall verify that the person exercising the Warrants specified in the Exercise Notice is the Holder of those Warrants according to its books. Subject to such verification, EAIB will confirm to the Issuer the number of Warrants being exercised.

If the number of Warrants being exercised specified in the Exercise Notice exceeds the number of Warrants in the warrant account specified in the relevant Exercise Notice, the Exercise Notice will be deemed to be null and void and EAIB, will notify the Issuer accordingly. If the number of Warrants being exercised specified in the Exercise specified in the Exercise Notice does not exceed the number of Warrants in EAIB's account specified in the relevant Exercise Notice, then EAIB, will, on or before the Share Settlement Date, debit the account of the relevant Holder with the Warrants being exercised.

The Issuer will notify Holders as soon as reasonably practicable after it becomes aware of any Exercise Notice being invalid.

(c) Settlement

If a Warrant has been duly exercised in accordance with these conditions then on the Share Settlement Date the relevant Holder shall pay to the Issuer the Exercise Price and the Issuer shall transfer to the relevant Holder the Share Entitlement.

Such payment and such delivery will be made through the appropriate Settlement System at the account or by reference to an identification code notified to the Holders by the Warrant ~~Agent, in the case of the Issuer, and, in the case of the Holders, as set out in the Exercise~~ Notice, on a delivery against payments basis (wherever possible through relevant Settlement System).

(d) Effect of Exercise

Unless the exercise is determined to be improper, (i) the delivery of an Exercise Notice in relation to a Warrant shall constitute an irrevocable election and undertaking by the Holder to exercise that Warrant and (ii) after delivery of the Exercise Notice the relevant Holder may not transfer either legal or beneficial ownership of, or otherwise deal with, the Warrants being exercised. Notwithstanding this, if following the delivery of an Exercise Notice, any Holder does transfer or attempt to transfer the Warrants referred to in the Exercise Notice (the **"Exercised Warrants"**), then the Holder will be liable to the Issuer for any losses, reasonable costs and expenses suffered or incurred by the Issuer including those suffered as result of the Issuer terminating any related hedging arrangements as a result of receiving the relevant Exercise Notice and subsequently (i) entering into replacement hedging arrangements in respect of the Exercised Warrants or (ii) paying any amount in relation to the Exercised Warrants either with or without having entered into replacement hedging arrangements.

(e) Expenses

A Holder exercising a Warrant shall pay (i) all expenses including, without limitation, all stamp, issue, registration, securities transfer or other similar taxes or duties (**"expenses"**), if any, payable in connection with the issue and/or exercise of the Warrants, (ii) all expenses involved in delivering the Exercise Notice.

(f) Determinations

Any determination as to whether a Warrant has been properly exercised shall be made by the Issuer and shall be conclusive and binding on the Holder of that Warrant. Any attempt to exercise a Warrant that is determined to be improper shall be null and void and a further attempt will be determined in relation to when the subsequent Exercise Notice is delivered. The Issuer and EAIB will endeavour to notify the Holder of an improperly exercised Warrant of the improper exercise as soon as possible upon becoming aware of such improper exercise. In the absence of negligence or wilful misconduct, the Issuer or EAIB, will not be liable to any person for any action taken or omitted to be taken by it in connection with the notification or determination of an improper exercise. The Issuer will not under any circumstances be liable for any acts or defaults of EAIB in relation to the performance of their duties in relation to the Warrants.

(g) Global Warrant

When a Warrant is exercised, the Issuer will advise EAIB, and EAIB will note the exercise on the Global Warrant and the number of Warrants represented by such Global Warrant shall be reduced by the cancellation of the Warrants exercised.

6. Settlement Disruption

If in the opinion of the Issuer there is a Settlement Disruption in relation to the Basket Shares which prevents delivery of such Basket Shares on the original Share Settlement Date, the Share Settlement Date will be the first succeeding day on which there is no Settlement Disruption provided always that, if Settlement Disruption prevents settlement on each of the

10 Settlement Business Days immediately following the original Share Settlement Date, (i) if such Basket Shares can be delivered in any other commercially reasonable manner, then the ~~Share Settlement Date will be the first day on which settlement of a sale of Basket Shares~~ executed on that 10th Settlement Business Day customarily would take place using such other commercially reasonable manner of delivery, and (ii) if such Shares cannot be delivered in any other commercially reasonable manner, then the Share Settlement Date will be postponed until delivery can be effected through the relevant Settlement System or in any other commercially reasonable manner.

7. Delivery Disruption

If in the opinion of the Issuer there is a Delivery Disruption in relation to the Basket Shares and the Issuer has notified the relevant Holder(s) within one Settlement System Business Day following the Exercise Date to that effect, then the Issuer may:

(a) determine the obligation of the Holder(s) and/or the Issuer to deliver such Basket Shares and the Issuer will pay an amount as it determines shall seek to preserve for the Holder(s) the economic equivalent of the relevant receipt or delivery, as the case may be, (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after that date but for the occurrence of such Delivery Disruption, in which event the entitlements of the respective exercising Holder(s) to deliver or receive (as the case may be) such Basket Shares pursuant to such exercise shall cease and the Issuer's obligations under the Warrant(s) shall be satisfied in full upon payment of such amount; or

(b) determine that the Issuer shall deliver on the Share Settlement Date such number of Basket Shares as it can deliver on that date and that the Issuer shall pay an amount which it determines shall seek to preserve for the Holder(s) the economic equivalent of the delivery or receipt (as the case may be) of the remainder of the Basket Shares (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after that date but for the occurrence of such Delivery Disruption, in which event the entitlements of the respective exercising Holder(s) to deliver or receive (as the case may be) such Basket Shares pursuant to such exercise shall cease and the Issuer's obligations under the Warrant(s) shall be satisfied in full upon payment of such amount.

8. Adjustment

The Issuer shall determine whether or not at any time a Potential Adjustment Event has occurred in relation to the Basket Shares and where it determines that such an event has occurred, the Issuer will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Basket Shares and, if so, will make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Share Exercise Price and/or the Share Entitlement, which the Issuer determines to be appropriate to account for that diluting or concentrative effect and determine the effective date(s) of such adjustment(s).

9. Merger Event

If, in the opinion of the Issuer, a Merger Event has occurred in relation to the Basket Shares, then the Issuer may:

(a) make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Share Exercise Price and/or the Share Entitlement), to account for such Merger Event and determine the effective date(s) of such adjustment(s); or

(b) determine that the Warrants shall be terminated, in which case the Warrants shall ~~cease to be exercisable as of the Merger Date, (or in the case of any Warrants which~~ have been exercised but remain unsettled, the entitlements of the respective exercising Holder(s) to sell the Basket Shares pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Merger Event Settlement Amount.

10. Nationalisation or Insolvency

If, in the opinion of the Issuer, a Nationalisation or an Insolvency has occurred in relation to any of the Basket Shares, then the Issuer may:

(a) make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Basket, Exercise Price and/or the Share Entitlement), which the Issuer determines to be appropriate to account for such Nationalisation and/or Insolvency (as the case may be) and determine the effective date(s) of such adjustment(s); or

(b) determine that the Warrants shall be terminated, in which case the Warrants shall cease to be exercisable as of the Announcement Date, (or in the case of the Warrants which have been exercised but remain unsettled, the entitlements of the respective exercising Holder(s) to sell Basket Shares pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Nationalisation/Insolvency Settlement Amount.

11. Illegality and Force Majeure

The Issuer shall have the right to terminate its obligations under the Warrants if it determines that it is or will become unlawful or impractical for it to carry out all or any of its obligations under the Warrants for any reason including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances, the Issuer shall, if and to the extent permitted by applicable law, pay to each Holder in respect of each Warrant held by him an amount determined by the Issuer as representing the fair market value of such Warrant immediately prior to such termination (ignoring such illegality or impracticality), less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any underlying related hedge arrangements, all as determined by the Issuer.

12. Issuer Call Right

The Issuer shall have the right (but not the obligation) to call for all (but not some only) of the Warrants outstanding at any time during the period commencing on the Issue Date and ending on the date falling 270 days thereafter upon giving no less than 10 (ten) days prior written notice to the Holders in accordance with Condition 20(b) stating the date (the "Call Date") upon which the call of Warrants is to be made. On the Call Date, the Issuer shall credit to the account of each Holder (as such account(s) are notified to it by the Holders for such purpose) an amount equal to the Call Price per Warrant owned by the relevant Holder and upon such payment that Holder's Warrants shall be cancelled and be of no further effect.

For the purpose of the foregoing, the "Call Price" shall be an amount equal to the greater of (a) the subscription price for each Warrant (the "Subscription Price") plus interest thereon for the period commencing on the Issue Date and ending on the Call Date (both dates inclusive) at a rate equal to the rate of interest at which the Issuer deposited money, or would have been

able to deposit money, during entirety of that period and (b) the Subscription Price plus 50 per cent of the positive intrinsic value of each Warrant (if any) as at the Call Date.

13. Purchase and Cancellation

The Issuer or any of its affiliates may at any time purchase one or more of the Warrants at any price in the open market, by tender, by private treaty or otherwise. If a Warrant is purchased by the Issuer or its affiliate it may be cancelled, held or re-sold or otherwise dealt with. No Warrant that has been exercised or purchased and cancelled may be re-issued.

14. Failure to Cover

For so long as the Warrants remain outstanding, the Issuer hereby undertakes:

(a) to hold as beneficial owner all of the shares comprised in the Basket or otherwise to have enforceable rights to receive on demand delivery of such shares; and

(b) not to accept, assume or undertake any liability relating to any or all of the shares comprised in the Basket (whether conditional or unconditional, present or future) insofar as any such liability would, if performed, impair or otherwise limit the Issuer's ability to satisfy its obligations with respect to the Warrants

provided that, if either (a) and (b) are at any time not satisfied by the Issuer, then the Issuer shall nevertheless be deemed to be in compliance with this undertaking if it also owns at that time readily realisable assets (which, for these purposes, shall include cash balances and listed securities) having an aggregate value of at least three times the amount that would be required to comply with (a) and (b) above (whether in purchasing additional shares or unwinding any liability).

In the event that the Issuer fails to maintain its undertaking under this Condition, and does not remedy such remission within 10 days of such failure, then the Issuer shall be required to exercise its rights to call the Warrants from each Holder pursuant to Condition 12.

15. Taxation

The Issuer is not liable for or otherwise obliged to pay, and the relevant Holder shall pay, any tax, duty, charges, withholding or other payment which may arise as a result of, or in connection with the issue, ownership, transfer, exercise or enforcement of any Warrant, including, without limitation, the delivery of any amount of Basket Shares. The Issuer shall have the right, but not the duty, to withhold or deduct from any amount payable to the Holder, such amount as is necessary (i) for the payment of any such taxes, duties, charges, withholdings or other payments or (ii) for effecting reimbursement in accordance with the following sentence. The relevant Holder shall promptly reimburse the Issuer, if the Issuer is obliged to pay any tax, duty, charge, withholding or other payment referred to in this condition.

16. Invalidity and Modification

Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way. The Issuer will endeavour in good faith to replace the invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions.

The Issuer may modify the Conditions without the consent of the Holders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any ~~manner which the Issuer may deem necessary or desirable provided that such modification is~~ not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with Condition 20, but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

17. Further Issues

The Issuer may, from time to time without the consent of the Holders, create and issue further Warrants which form a single series with the Warrants.

18. Substitution

The Issuer may at any time, and from time to time, without the consent of the Holders, substitute for itself as obligor under the Warrants, any subsidiary or holding company of the Issuer or any subsidiary of such holding company which at the time of such substitution has the same credit rating as the Issuer (the "**New Issuer**"), provided that the New Issuer shall assume all obligations that the Issuer owes to the Holders under or in relation to the Warrants. If such substitution occurs, then any reference in these conditions to the Issuer shall be construed as a reference to the New Issuer. Any substitution will be promptly notified to the Holder in accordance with these conditions. In connection with any exercise by the Issuer of the right of the Substitution, the Issuer shall not be obliged to have regard to any of the consequences suffered by individual Holders as a result of the exercise by the Issuer of the right of substitution, including consequences resulting from the Holders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory. No Holder shall be entitled to claim from the Issuer any indemnification or repayment in respect of any consequence suffered by the Holder as a result of the exercise by the Issuer of the right of substitution.

19. Governing Law

The Warrants are governed by and construed in accordance with the laws of England. The Issuer hereby irrevocably agrees for the exclusive benefit of each Holder that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Warrants and that accordingly any suit, action or proceeding (together in this paragraph referred to as "**Proceedings**") arising out of or in connection with the Warrants may be brought in such courts. Nothing in this paragraph shall limit the right of the bearer of any Warrant to take Proceedings in any other court of competent jurisdiction, whether concurrently or not.

20. Warrant Agent

The Initial "**Warrant Agent**" is European American Investment Bank AG and its specified office is its head office at Suite 10 Lillengasse 1, 3rd Floor, A-1010, Vienna, Austria.

The Issuer reserves the right at any time to vary or terminate the appointment of EAIB and to appoint other or additional Warrant Agents. Notice of any such termination or appointment and of any changes in the specified office of EAIB will be given to the Holders in accordance with these Conditions.

EAIB is acting solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, any Holder.

21. Notices

(a) To the Issuer

Notice may be given to the Issuer by delivering the notice in writing to the Issuer at 19 Mount Havelock, Douglas, Isle of Man or such other address as may notified to the Holders in accordance with these Conditions.

(b) To the Holders

Any notice to the Holders will be deemed to have been duly given to the Holders if the notice is given to EAIB for onward transmission to the Holders. Any such notice shall be deemed to have been given by the Issuer to the Holders on the date the notice is given to EAIB.

22. Determinations of the Issuer

All calculations, determinations or other decisions by the Issuer pursuant to these Conditions (including where a matter is to be decided by reference to the Issuer's opinion) shall (save in the case of manifest error) be made in the Issuer's sole and absolute discretion and shall be final and binding on the Holder. The Issuer shall not have any responsibility for any errors or omissions in the calculation and determination of the any payment due under Conditions 6 to 12 arising from such errors or omissions.

SCHEDULE A

Share Basket

Stock Ticker	Company	No of Shares in Basket
ADBE	Adobe Systems Inc	1,728,000
ADP	Automatic Data Processing	1,733,000
AMAT	Applied Materials Inc	700,000
AOL	America Online	2,649,485
BGEN	Biogen Inc	953,516
CCU	Clear Channel	973,596
CSCO	Cisco Systems	2,000,000
DELL	Dell Computer	2,238,000
EBAY	EBAY	3,181,462
INTC	Intel Corp	1,150,000
MSFT	Microsoft Inc	745,000
NOK	Nokia Corp – Spon ADR	900,000
ORCL	Oracle Corporation	900,000
PCS	Sprint Corp (PCS Group)	1,756,000
Q	QWEST	2,339,181
QCOM	Qualcomm Inc	575,000
XLNX	Xilinx	1,000,000
Total		**25,522,240**

SCHEDULE B

THIS EXERCISE NOTICE SHALL NOT BE EFFECTIVE UNLESS THE APPROPRIATE CERTIFICATION AS TO NON-BENEFICIAL OWNERSHIP HAS ALSO BEEN DELIVERED WHERE REQUIRED

~~Titanium Trading Partners LLC~~
Warrants
In relation to
a Basket of Shares of Companies in the US Technology Sector due 21 September 2006

Exercise Notice for Warrants

1. Name of the Holder of the Warrants
(if joint Holders, insert all names)

2. Address of the Holder
(if joint Holders, insert the address of the first named Holder)

3. Number of Warrants being exercised

4. Warrant Account Details

The Holder irrevocably instructs EAIB to debit its account, on or before the Share Settlement Date, with the Number of Warrants specified in section 3 of this notice.

5. Undertaking

The Holder undertakes to pay all expenses, including, without limitation, any applicable stamp duty and or any other duties or taxes due in connection with the exercise by the Holder of the Warrants and the Holder irrevocably instructs EAIB (i) to debit the account specified in section 4 of this notice with an amount equal to the sum of any such expenses, duties or taxes and (ii) to pay such expenses, duties or taxes.

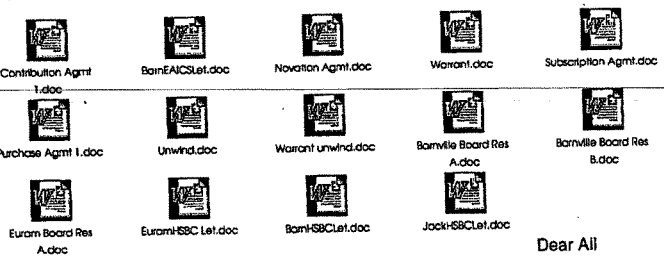
6. Signature of the Holder

(If joint Holder's, all Holder's must sign)

7. Date of this Notice

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Brian Hanson
From: Shaikh Arfan [Arfan.Shaikh[redacted]
Sent: Tuesday, September 04, 2001 4:25 AM
To: Brian Hanson (E-mail); Lana Phillips (E-mail)
Cc: John Staddon (E-mail); Puri Rajan
Subject: Titanium



Dear All

I've set out a summary of what was agreed on Friday's call and have attached, where necessary, updated documents.

Operating Agreement

I suggested that the cleanest way forward would be to attach both the Contribution Agreement and the letter/consent between Barnville and EAICS as schedules and be mentioned in the existing schedule concerning contributions. Lana is checking this and is due to provide a redraft of the Operating Agreement. I think this is the most important document that needs to be finalised as any serious amendments will have knock on effects on the other documentation.

Contribution Agreement

A redraft is attached.

<<Contribution Agmt 1.doc>>

Letter Agreement/Consent Barnville/EAICS

I've now reviewed the written consent document. As Brian stated on the telephone its content is very similar to that of the letter agreement I produced earlier. I do not have an issue on the format. The one difference is that the letter outlines why EAICS has a 1% interest. We agreed that whatever documentation was going to be used, this point had to be incorporated into it. Lana agreed to check the documentation and come back with a revised consent document or comments on my letter. The draft letter agreement is attached.

<<BamEAICSLet.doc>>
Novation Agreement

A redraft is attached.

<<Novation Agmt.doc>>
Global Warrant and Subscription Agreement

Revised drafts are attached incorporating Brian's comments.

<<Warrant.doc>> <<Subscription Agmt.doc>>

Purchase Agreements

A revised purchase agreement for TAC and Barnville is attached. It should incorporate the changes we discussed.

In respect of the purchase agreement for Cheryl Saban and EAICS, I am still waiting for confirmation of the purchase methodology. The current proposal is that the payment will be delayed for a period (with a backstop date of 31 December 2001). Ms Saban will issue a promissory note to cover that period. The proposed interest rate being Libor plus 25bp. I should have a redraft of this purchase agreement by your open tomorrow.

<<Purchase Agmt 1.doc>>

~~Stock Loans Unwind/Warrant Unwind~~

Redrafts are attached.

<<Unwind.doc>> <<Warrant unwind.doc>>

Titanium Trading Partners Consents

I've reviewed the acceptances of the Operating Agreement by TAC and Cheryl Saban. Both are fine.

You have produced 4 Members consents. In general, I have very few comments on them. The basic difficulty is that they all look very similar and only work when executed and signed in a particular order. I think the order should be made clear by, perhaps, incorporating the order in the title of the document. The current order does not seem to work.

The order should be:

1. Written consent EAICS/Barnville re appointment of EAICS as Managing Member (NB my comments above)
2. Written consent of Managing Member (EAICS)
3. Written consent of Members (EAICS/TAC)
4. Written consent of Majority Member (TAC)

My specific comments on each of these (using my numbering) are:

1. Already stated above
2. A general comment for each of these is that defined terms from the Operating Agreement are used without defining them in the Consents. For ease of understanding a line such as "Capitalised terms not otherwise defined in this Consent shall bear the same meanings given to them in the Operating Agreement of the Company" could be inserted. The third para should read "RESOLVED, That EAICS, as Managing Member of the Company,....". The date also needs to be updated.
3. 2nd line of 2nd para should state "..the Members hereby appoint TAC and replace EAICS as the sole Managing Member...". Again the date needs to be updated.
4. The first line should state "...the Majority Member and Managing Member..." and the third para should read "RESOLVED, That TAC, as Managing Member of the Company,...". The date also needs to be updated.

Barnville/EAICS Board Minutes

Redrafts are attached.

<<Barnville Board Res A.doc>> <<Barnville Board Res B.doc>> <<Euram Board Res A.doc>>

Payment Instructions to HSBC

Draft instruction letters from EAICS, Barnville and Jackstones are attached.

<<EuramHSBC Let.doc>> <<BarnHSBCLet.doc>> <<JackHSBCLet.doc>>

Accountants Letter/ Sellers Opinion

Both are progressing nicely.

I have noted Brian's comments re the Seller's opinion. Brian - please confirm that this is required solely for Barnville and that you accept that by asking a lawyer to opine on executed documents, the opinion can only be delivered after completion.

Drafts of these documents will be forwarded as soon as they have been produced by the accountants/lawyers.

General

All documents should now have (where applicable) a counterparts clause. We are aiming to finalise all documents (other than perhaps the Accountants Letter/Sellers Opinion) by close wed (USA).

Brian - can you clarify when signing will take place. The trade date is the 10th. I understand that the pricing will not be finalised until USA close on Monday, the prices will be forwarded to us and we will amend the documentation on our open on Tuesday. Should we therefore be lining up signatories for the 11th?

Originals of documents - have we agreed how many copies of each document should be signed? I think it should be one more than the number of signatories per document.

Brian/Lana - can we talk at around 4.30pm my time to discuss the above?

Arfan

Christopher Hirata [redacted]
09/05/2001 11:11 PM

To Russell Schreiber/H[redacted]
cc "mkrane/d[redacted] Wilk <[redacted]
bcc
Subject

Rusty,

In response to your email to Chuck, here is the summary of activity for the next week:

Friday - September 7, 2001: Barnville Limited ("Barnville") contributes stock (via novation of a lending agreement with Jackstones Limited ("Jackstones")) to Titanium Trading Partners LLC ("TTP").
Monday - September 10, 2001: HSBC Bank USA ("HSBC") loans $800 million to Silverlight Enterprises L.P. ("Silverlight"). Jackstones purchases stock portfolio (T+3) and delivers stock to TTP pursuant to the unwind of the stock lending agreement. TTP purchases 100%/108% collar on the stock portfolio from HSBC (T+3).
Tuesday - September 11, 2001: Silverlight contributes the loan proceeds to Titanium Acquisition Corp. ("TAC").
Wednesday - September 12, 2001: TAC purchases 99% interest in TTP from Barnville. HSBC loans ~$8 million to Cheryl Saban. Cheryl Saban purchases 1% interest in TTP from EAICS. TAC contributes remaining cash to TTP.
Thursday - September 13, 2001: Jackstones pays HSBC for purchase of the stock portfolio. TTP pays HSBC for purchase of the 100%108% collar.

Also, attached is the latest version of the stock portfolio using closing prices as of today, September 5th. Lastly, the collar will be struck at 100%/108% and should expire January 2, 2002 (~115 days based on a trade date of September 10, 2001).

<<Basket 09.05.01.xls>>

Regards,

Chris Hirata
Quellos Custom Strategies, LLC
Phone: (206) 613-6700
Fax: (206) 613-6713

 - Basket 09.05.01.xls

Christopher Hirata

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Christopher Hirata
Sent: Thursday, September 06, 2001 4:02 PM
To: 'russell.schreiber@[redacted]
Subject: Revised schedule

Rusty,

Below is the new and improved timeline pursuant to our discussions earlier today:

Monday - September 10, 2001: HSBC Bank USA ("HSBC") loans $800 million to Silverlight Enterprises L.P. ("Silverlight"). Barnville Limited ("Barnville") contributes stock (via novation of a lending agreement with Jackstones Limited ("Jackstones")) to Titanium Trading Partners LLC ("TTP").

Tuesday - September 11, 2001: Silverlight contributes the loan proceeds to Titanium Acquisition Corp. ("TAC").

Wednesday - September 12, 2001: TAC purchases 99% interest in TTP from Barnville. HSBC loans ~$8 million to Cheryl Saban. Cheryl Saban purchases 1% interest in TTP from EAICS. TAC and Cheryl Saban contribute remaining cash from their respective HSBC loans to TTP. Jackstones purchases stock portfolio and delivers stock to TTP pursuant to the unwind of the stock lending agreement. TTP purchases 100%/108% collar on the stock portfolio from HSBC using cash contributed by TAC and Cheryl Saban.

Please note that on Wednesday the 12th, the cash will flow from TAC to Barnville to Jackstones to HSBC as requested. One important note - the interest credit for the three day settlement period should be credited to TTP, TAC, or Silverlight rather than Jackstones. (Perhaps this can be done by adjusting the loan interest charged to Silverlight.)

Give Chuck or me a call if you have any questions.

Regards,

-----Original Message-----
From: Christopher Hirata
Sent: Wednesday, September 05, 2001 8:12 PM
To: 'russell.schreiber[redacted]
Cc: 'mkrane@[redacted]t'; Chuck Wilk
Subject:

Rusty,

In response to your email to Chuck, here is the summary of activity for the next week:

Friday - September 7, 2001: Barnville Limited ("Barnville") contributes stock (via novation of a lending agreement with Jackstones Limited ("Jackstones")) to Titanium Trading Partners LLC ("TTP").

Monday - September 10, 2001: HSBC Bank USA ("HSBC") loans $800 million to Silverlight Enterprises L.P. ("Silverlight"). Jackstones purchases stock portfolio (T+3) and delivers stock to TTP pursuant to the unwind of the stock lending agreement. TTP purchases 100%/108% collar on the stock portfolio from HSBC (T+3).

Tuesday - September 11, 2001: Silverlight contributes the loan proceeds to Titanium Acquisition Corp. ("TAC").

Wednesday - September 12, 2001: TAC purchases 99% interest in TTP from Barnville. HSBC loans ~$8 million to Cheryl Saban. Cheryl Saban purchases 1% interest in TTP from EAICS. TAC contributes remaining cash to TTP.

Thursday - September 13, 2001: Jackstones pays HSBC for purchase of the stock portfolio. TTP pays HSBC for purchase of the 100%108% collar.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 376

PSI-QUEL 23117

Also, attached is the latest version of the stock portfolio using closing prices as of today, September 5th. Lastly, the collar will be struck at 100%/108% and should expire January 2, 2002 (~115 days based on a trade date of September 10, 2001).

Basket 09.05.01.xls

Regards,

Chris Hirata
Quellos Custom Strategies, LLC
Phone: (206) 613-6700
Fax: (206) 613-6713

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Mary Pan/HBUS/HSBC
09/13/2001 07:04 PM

To Albert Yu/H[redacted]Russell Schreiber/H[redacted]
cc
bcc
Subject Silverlight Enterprises, L.P.

In light of the market situation, the stock market will only reopen on Monday 9/17/01 but it may not be feasible to purchase $760 million of stocks and execute the collar transaction of this size until a few days later when the market is settled. However, to meet the tax code requirement, Silverlight must be funded by 9/17/01 before we can have the collar in place. Approval is thus requested to allow funding of the loan on 9/17/01 (subject to proper documentation) with the funds being placed in a collateralized account in name of Silverlight Enterprises, L.P. until the collar can be executed. Since the loan will be fully secured by cash placed in an overnight money market account controlled by HSBC, approval is recommended.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Russell Schreiber/HBUS/HSBC
09/13/2001 07:12 PM

To Mary Pan/[redacted]
cc Albert Yu/[redacted]
bcc
Subject Re: Silverlight Enterprises, L.P.

In light of the market situation, the stock market will only reopen on Monday 9/17/01 but it may not be feasible to purchase $760 million of stocks and execute the collar transaction of this size until a few days later when the market is settled. However, to meet business purpose and tax code requirement, Silverlight must be funded by 9/17/01 before we can have the collar in place. Should the simulateous purchase of the shares and the collar not be executed by 9/30/01, the loan will be due and repaid in full. Approval is thus requested to allow funding of the loan on 9/17/01 (subject to proper documentation) with the funds being placed in a collateralized account in name of Silverlight Enterprises, L.P. until the collar can be executed. Since the loan will be fully secured by cash placed in an overnight money market account controlled by HSBC, approval is recommended.

Mary Pan

Mary Pan
13 Sep 2001 19:04

To: Albert Yu, et al
Subject: Silverlight Enterprises, L.P.

In light of the market situation, the stock market will only reopen on Monday 9/17/01 but it may not be feasible to purchase $760 million of stocks and execute the collar transaction of this size until a few days later when the market is settled. However, to meet the tax code requirement, Silverlight must be funded by 9/17/01 before we can have the collar in place. Approval is thus requested to allow funding of the loan on 9/17/01 (subject to proper documentation) with the funds being placed in a collateralized account in name of Silverlight Enterprises, L.P. until the collar can be executed. Since the loan will be fully secured by cash placed in an overnight money market account controlled by HSBC, approval is recommended.

Chuck Wilk Representation Certificate
for Titanium Trading Partners LLC Federal Income Tax Opinion

In connection with the opinion to be delivered by Bryan Cave LLP to Haim Saban, in his capacity as President of Titanium Acquisition Corporation ("TAC") which is the managing member of Titanium Trading Partners LLC ("TTP"), and recognizing (1) that Bryan Cave LLP will rely upon the following representations in issuing its tax opinion ("Tax Opinion") to TTP, and (2) that the tax opinions set forth therein may not be accurate if any of the following representations are not accurate in all material respects, Chuck Wilk, of Quellos Custom Strategies, LLC ("Quellos"), hereby certifies that the following representations are true, correct and complete to the best of his knowledge.

Unless otherwise specified, all capitalized terms used herein without definition shall have the meanings assigned to them in the Tax Opinion.

1. I have reviewed the "Facts" section of the Tax Opinion, and the "Facts" section accurately and completely describes all of the material transactions and discussions set forth therein.

2. I am not aware of any other transactions or discussions, other than those set forth in the "Facts" section of the Tax Opinion, that are material to the transactions described therein.

3. Quellos received the books and records of TTP for the periods prior to September 24, 2001 from Euram and provided Bryan Cave LLP with a copy of such books and records in connection with the Tax Opinion.

4. The gains and losses recognized by TTP on the sale of the Portfolio and the unwind of the Collar are set forth on Schedules A and B, respectively, attached hereto and which have been verified by Quellos as accurate.

IN WITNESS WHEREOF, I have signed this Representation Certificate this 11 day of October, 2002.

Witness

Chuck Wilk
of Quellos Custom Strategies, LLC

SCHEDULE A

Titanium Trading Partners LLC

Portfolio as of 9/24/01 Based on Acquisition cost - Barnville

Stock	Shares	Date purchased	Basis per share	Basis	9/24/01 per sh.	9/24/01 Value	Built-in gain (loss)
ADBE	1,728,000	June 6, 2000	57.8438	$ 99,954,000	25.3018	$ 43,721,510	$ (56,232,490)
ADP	1,733,000	June 6, 2000	57.6875	$ 99,972,438	46.5344	$ 80,644,115	$ (19,328,322)
AMAT	700,000	June 6, 2000	89.3125	$ 62,518,750	29.6057	$ 20,723,990	$ (41,794,760)
AOL	1,000,000	January 3, 2000	82.7500	$ 82,750,000	32.5715	$ 32,571,500	$ (50,178,500)
AOL	1,649,485	February 28, 2000	60.6250	$ 100,000,028	32.5715	$ 53,726,201	$ (46,273,827)
BGEN	953,516	February 28, 2000	104.8750	$ 99,999,991	53.1584	$ 50,687,385	$ (49,312,606)
CCU	973,596	January 3, 2000	87.7500	$ 85,433,049	38.7761	$ 37,752,256	$ (47,680,793)
CSCO	2,000,000	September 21, 2001	12.5506	$ 25,101,200	12.5506	$ 25,101,200	0
DELL	2,238,000	June 6, 2000	44.6875	$ 100,010,625	18.6051	$ 41,638,214	$ (58,372,411)
EBAY	250,000	February 28, 2000	72.5313	$ 18,132,813	46.6758	$ 11,668,950	$ (6,463,863)
EBAY	1,393,000	June 6, 2000	71.8125	$ 100,034,813	46.6758	$ 65,019,389	$ (35,015,423)
EBAY	1,538,462	December 28, 1999	69.9350	$ 107,592,340	46.6758	$ 71,808,945	$ (35,783,395)
INTC	1,150,000	September 21, 2001	21.4840	$ 24,706,600	21.4840	$ 24,706,600	0
MSFT	745,500	September 21, 2001	52.1351	$ 38,866,717	52.1351	$ 38,866,717	0
NOK	900,000	June 6, 2000	55.6250	$ 50,062,500	16.8658	$ 15,179,220	$ (34,883,280)
ORCL	900,000	June 6, 2000	38.5313	$ 34,678,125	12.3191	$ 11,087,190	$ (23,590,935)
PCS	1,756,000	June 6, 2000	56.9375	$ 99,982,250	25.2670	$ 44,368,852	$ (55,613,398)
Q	2,339,181	January 3, 2000	42.1200	$ 98,526,304	19.9605	$ 46,691,222	$ (51,835,081)
QCOM	575,000	February 28, 2000	143.2500	$ 82,368,750	47.2022	$ 27,141,265	$ (55,227,485)
XLNX	1,000,000	February 28, 2000	70.2500	$ 70,250,000	25.7564	$ 25,756,400	$ (44,493,600)
				$ 1,480,941,291		$ 768,861,121	$ (712,080,170)

xxxxxxxxxxxxxxx -COMM. JOURNAL- xxxxxxxxxxxxxxxxxx DATE AUG-04-2004 xxxxx TIME 11:57 xxxxxxxx

MODE = MEMORY TRANSMISSION START=AUG-04 11:56 END=AUG-04 11:57

FILE NO.=032

STN NO.	COMM.	ABBR NO.	STATION NAME/TEL NO.	PAGES	DURATION
001	OK	a	9131855752B1	002/002	00:00:30

-HSBC BANK USA -

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx -PRIVATE BANKING - xxxxx - 212+525+0296- xxxxxxxx

452 Fifth Ave 26/F
New York, New York 10018
Phone: 212-525-5370
Fax: 212-525-0298

HSBC Bank USA

Fax

To:	Nancy Schultz	From:	Mary Agnes Pan
Fax:	310-5575201	Date:	August 4, 2004
Phone:	310-5575151	Pages:	11
Re:	Statement	CC:	

☐ Urgent x For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Nancy,

Statement attached as per your request

Mary

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 379

525-0296

452 Fifth Ave 26/F
New York, New York 10018
Phone: 212-525-5370
Fax: 212-525-0296

HSBC Bank USA

Fax

To:	Nancy Schultz	**From:**	Mary Agnes Pan
Fax:	310-5575201	**Date:**	August 4, 2004
Phone:	310-5575151	**Pages:**	11
Re:	Statement	**CC:**	

☐ Urgent x For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Nancy,

Statement attached as per your request

Mary

HSBC Private Bank

Trade Date	Shares	HSBC BUY / SELL	CCY	Ticker	PRICE	SETTLE Date	Counterparty
12-Nov-01	1,296,000	B	USD	ADBE	28.8805	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	1,298,750	B	USD	ADP	54.5147	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	525,000	B	USD	AMAT	38.8496	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	1,987,114	B	USD	AOL	36.4284	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	715,137	B	USD	BGEN	54.6455	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	730,197	B	USD	CCU	42.2173	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	1,500,000	B	USD	CSCO	19.1515	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	1,678,500	B	USD	DELL	25.6191	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	2,386,066	B	USD	EBAY	57.4647	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	862,500	B	USD	INTC	28.4093	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	559,125	B	USD	MSFT	65.8246	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	675,000	B	USD	NOK	22.3232	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	675,000	B	USD	ORCL	15.3539	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	1,317,000	B	USD	PCS	24.4271	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	1,754,386	B	USD	Q	11.459	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	431,250	B	USD	QCOM	55.8509	15-Nov-01	Titanium Trading Partners LLC ("TTP")
12-Nov-01	750,000	B	USD	XLNX	38.9344	15-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	432,000	B	USD	ADBE	29.7658	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	433,250	B	USD	ADP	54.4995	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	175,000	B	USD	AMAT	40.0196	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	662,371	B	USD	AOL	37.3404	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	238,379	B	USD	BGEN	55.2033	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	243,399	B	USD	CCU	44.95	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	500,000	B	USD	CSCO	19.7215	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	559,500	B	USD	DELL	26.3684	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	795,366	B	USD	EBAY	58.338	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	287,500	B	USD	INTC	29.0476	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	186,375	B	USD	MSFT	66.7936	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	225,000	B	USD	NOK	23.0045	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	225,000	B	USD	ORCL	15.071	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	439,000	B	USD	PCS	24.6743	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	584,795	B	USD	Q	11.8501	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	143,750	B	USD	QCOM	56.8487	16-Nov-01	Titanium Trading Partners LLC ("TTP")
13-Nov-01	250,000	B	USD	XLNX	38.1866	16-Nov-01	Titanium Trading Partners LLC ("TTP")

SILVERLIGHT ENTERPRISES L.P.
A/C #134713800

Below is a summary of the transactions that took place in the Silverlight Enterprises A/C #134713800 from 9/21/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/21/01		$800,000,000.00	LOAN PROCEEDS	$800,000,000.00
9/21/01	$800,000,000.00		FUNDS INVESTED OVERNIGHT IN EURODOLLAR DEPOSIT	$0.00
9/24/01		$800,166,666.67	PROCEEDS FROM EURODOLLAR INVESTMENT	$800,166,666.67
9/24/01	$800,000,000.00		TRANSFER TO TITANIUM ACQUISITIONS A/C #134713761	$166,666.67

TITANIUM ACQUISITIONS CORPORATION
A/C #134713761

Below is a summary of transactions that took place on Titanium Acquisitions Corporation A/C #134713761 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$800,000,000.00	TRANSFER RECEIVED FROM SILVERLIGHT ENTERPRISES LP A/C #134713800	$800,000,000.00
9/24/01	$768,791,627.00		TRANSFER TO BARNVILLE LIMITED A/C #134713613	$31,208,373.00
9/24/01	$31,208,373.00		TRANSFER TO TITANIUM TRADING PARTNERS LLC A/C #134715624	$0.00

BARNVILLE LIMITED
A/C #134713613

Below is a summary of transactions for Barnville Limited A/C #134713613 and Barnville Limited Money Market A/C #134714237 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$768,791,627.00	TRANSFER RECEIVED FROM TITANIUM ACQUISITIONS CORP. A/C #134713761	$768,791,627.00
9/24/01	$667,064,361.00		TRANSFER TO JACKSTONES LIMITED A/C #134713605	$101,727,266.00
9/24/01	$101,804,163.00		TRANSFER TO HSBC HOLDING A/C 1 A/C # 134714156	($76,897.00)
9/24/01		$7,688,685.00	TRANSFER RECEIVED FROM EUROPEAN AMERICAN INVESTMENT A/C #134714164	$7,611,788.00
9/26/01	$7,611,788.00		INVESTED FUNDS IN MONEY MARKET A/C I/N/O BARNVILLE A/C #134714237	$0.00
9/28/01		$7,000,000.00	TRANSFER FROM BARNVILLE LTD. MONEY MARKET A/C #134714237 TO COVER TRANSFER	$7,000,000.00
9/28/01	$7,000,000.00		TRANSFER TO CITIBANK, NYC F/C RAIFFEISEN ZENTRALBANK A/C #10920871 FAVOR OF EURAM BANK	$0.00

MARKET

		$7,611,788.00	RECEIVED FROM BARNVILLE LIMITED A/C #134713613		$7,611,788.00
	$7,000,000.00		TRANSFER TO BARNVILLE LIMITED A/C #134713613		$611,788.00
9/28/91		$867.69	INTEREST		$612,655.69

JACKSTONES LIMITED
A/C #134713605

Below is a summary of transactions for the Jackstones Limited A/C #134713605 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$667,064,361.00	TRANSFER RECEIVED FROM BARNVILLE LTD. A/C #134713613	$667,064,361.00
9/24/01	$667,064,361.00		TRANSFER TO HSBC HOLDING A/C 1 A/C #134714156	$0.00

TITIANIUM TRADING PARTNERS LLC
A/C #134715624

Below is a summary of transactions for Titanium Trading Partners LLC A/C #134715624 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$31,208,373.00	RECEIVED FROM TITANIUM ACQUISITIONS CORP. A/C #134713761	$31,208,373
9/24/01		$315,236.00	TRANSFER RECEIVED FROM CHERYL SABAN A/C #134714075	$31,523,609
9/24/01	$31,523,609.00		FUNDS INVESTED OVERNIGHT IN EURODOLLAR DEPOSIT	$
9/25/01		$31,526,235.97	PROCEEDS FROM OVERNIGHT EURODOLLAR INVESTMENT	$31,526,23
9/25/01	$31,523,305.97		TRANSFER TO HSBC DERIVATIVES DEPT.	$2,93

EUROPEAN AMERICAN INVESTMENT CORPORATE SERVICES LIMITED
A/C #134714164

Below is a summary of transactions for the European American Investment Corporate Services Limited A/C #134714164 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$7,765,572.00	TRANSFER FROM CHERYL SABAN A/C A/C #134714075	$7,765,572.00
9/24/01	$7,688,685.00		TRANSFER TO BARNVILLE LTD. A/C #134713613	$76,887.00

HSBC HOLDING A/C 1
A/C #134714156

Below is a summary of transactions for HSBC Holding A/C #134714156 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$101,804,163.00	TRANSFER RECEIVED FROM BARNVILLE LIMITED A/C #134713613	$101,804,163.00
9/24/01		$667,064,361.00	TRANSFER RECEIVED FROM JACKSTONES LIMITED A/C #134713605	$768,868,524.00
9/24/01	$768,868,524.00		FUNDS INVESTED IN EURODOLLAR DEPOSIT	$0.00
9/25/01		$768,932,596.38	PROCEEDS FROM OVERNIGHT EURODOLLAR INVESTMENT	$768,932,596.38
9/25/01	$768.932.596.38		FUNDS INVESTED IN EURODOLLAR DEPOSIT	$0.00
9/26/01		$768,996,674.10	PROCEEDS FROM OVERNIGHT EURODOLLAR INVESTMENT	$768,996,674.10
9/26/01	$768,996,674.10		FUNDS INVESTED IN EURODOLLAR DEPOSIT	$768,996,674.10
9/27/01		$769,060,757.16	PROCEEDS FROM OVERNIGHT EURODOLLAR INVESTMENT	$769,060,757.16
9/27/01	$768,958,740.54		TRANSFER TO TITANIUM TRADING PARTNERS CUSTODY A/C #8846	$102,016.62

HSBC BANK USA
CHERYL SABAN
134714075

Below is a summary of the transactions for Cheryl Saban A/C #134714075 for the period 9/24/01 - 9/28/01:

DATE	DEBIT	CREDIT	DESCRIPTION	BALANCE
9/24/01		$8,111,700.00	LOAN PROCEEDS	$8,111,700.00
9/24/01	$7,765,572.00		TRANSFER TO EUROPEAN AMERICAN INVESTMENT CORPORATE SERVICES LTD. A/C #134714164	$346,128.00
9/24/01	$315,236.00		TRANSFER TO TITANIUM TRADING PARTNERS LLC A/C #134715624	$30,892.00
9/26/01	$30,889.78		WIRE TRANSFER TO UNION BANK OF CALIF. F/O CONEJO VALLEY ESCROW TRUST A/C	2.22
9/27/01		$11,000,000.00	LOAN PROCEEDS	$11,000,002.22
9/27/01	$11,000,000.00		WIRE TRANSFER TO NORTHERN TRUST CO. F/O LOAN SERVICES A/C #5683609570	2.22
9/28/01		$7,888,300.00	LOAN PROCEEDS	$7,888,302.22
9/28/01	$8,000,000.00		WIRE TRANSFER TO NORTHERN TRUST CO. REF: LOAN SERVICES #2000436111	($111,697.78)

[redacted] = Redacted by the Permanent Subcommittee on Investigations

KING & SPALDING LLP

1700 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-4706
Fax: 202/626-3737

Eleanor Hill
Direct Dial: 202/626-2955
E-mail: ehill@kslaw.com

PRIVILEGED AND CONFIDENTIAL

July 13, 2006

Mr. Robert L. Roach
Minority Counsel and Chief Investigator
Permanent Subcommittee on Investigations,
Committee on Homeland Security and
Governmental Affairs
United States Senate
SR-199 Russell Senate Office Building
Washington, D.C. 20510

Dear Bob:

You have asked for a summary description of the steps involved in certain transactions that took place in 2001 involving our client Mr. Haim Saban and certain non-U.S. entities. As you know, none of the counsel now representing Mr. Saban in connection with these transactions was counsel to Mr. Saban in 2001 when such transactions took place. Subject to that understanding and without waiving any work product or other privileges, we are, in an effort to be responsive to your request, providing the information contained herein.

It is the understanding of counsel that there were two separate, but related transactions involving Silverlight Enterprises, L.P. ("Silverlight") and Titanium Trading Partners LLC ("TTP")—the Silverlight Transaction and the TTP Transaction—and that the steps involved in those transactions generally took place between late-September 2001 (when Titanium Acquisition Corporation ("TAC") acquired its interest in TTP from a non-U.S. entity) and mid-November 2001 (when TTP disposed of the Portfolio, as defined below) as follows:

(i) The Silverlight Transaction:

- From its formation in 1992 as an investment partnership, Silverlight had owned a substantial interest in the entertainment and media business that eventually became Fox Family Worldwide, Inc. ("FFWW").
- In early 2001, the partners of Silverlight were Glass Wave Enterprises, L.P., the general partner, and Mr. Saban, Mrs. Saban, [redacted] and Cassano Associates [redacted]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 380

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted], the limited partners.

- On August 31, 2001, 5161 Corporation (now known as Saban Capital Group, Inc.) replaced Glass Wave as the general partner of Silverlight.
  - The substitution of 5161 for Glass Wave was accomplished by Mr. Saban contributing a portion of his partnership interest in Glass Wave to 5161.
  - Glass Wave contributed its assets (except its Silverlight partnership interest) to Silverlight and then liquidated, distributing the Silverlight partnership interest to its partners (including 5161) in complete liquidation of their interests in Glass Wave.
- Pursuant to a Credit Agreement dated September 21, 2001, Silverlight borrowed $800 million from HSBC Bank USA ("HSBC"), contributed approximately $732 million of the HSBC loan proceeds to TAC in exchange for the TAC stock and loaned approximately $67.8 million of the HSBC loan proceeds to TAC in exchange for the TAC Debenture.
- On September 28, 2001, after the acquisition by TAC of a 99% membership interest in TTP (described below), Silverlight transferred the TAC stock to Mr. Saban and to Mrs. Saban and the TAC Debenture to Cassano.
  - Silverlight, which had made an IRC Section 754 election, stepped up the tax basis of its remaining assets in accordance with IRC Section 734(b)(1)(B), including a step up of approximately $760 million in the basis of its FFWW stock.
- On October 24, 2001, after satisfaction of contractual conditions and the resolution of certain contractual disputes with The Walt Disney Company ("Disney"), Silverlight sold the FFWW stock to Disney and reported a loss of approximately $2 million.
- The proceeds of the Disney sale were applied to the repayment of the HSBC Loan.
- Silverlight continues in existence as an investment partnership.

Silverlight Transaction Documentation:

The Silverlight Transaction is evidenced by the following documentation:

(a) [redacted]

(b) [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

(c) [redacted]

(d) [redacted]

(ii) The TTP Transaction:

- According to a series of stock purchase agreements, commencing in December 1999, Barnville acquired from Jackstones the rights to stock of certain technology companies and contemporaneously entered into a Securities Lending Agreement dated December 28, 1999.

- According to the Operating Agreement of TTP and the Assignment of Rights Agreement, both dated September 21, 2001, Barnville contributed to TTP all of its rights to certain of these technology company stocks, as well as the rights to the stock of three other technology companies (collectively, the "Portfolio") and acquired a 99% membership interest.

  - Pursuant to several related agreements, including the Stock Loans Unwind Agreement, Jackstones was required to deliver to TTP the portion of the Portfolio that was subject to the Assignment of Rights Agreement, and the Securities Lending Agreement was terminated with respect to those securities.

  - Under IRC Section 723, TTP succeeded to Barnville's tax basis in the Portfolio.

- According to the Operating Agreement of TTP and a letter attached thereto, both dated September 21, 2001, Euram agreed to contribute management and consulting services to TTP and acquired a 1% membership interest in TTP.

- TTP also issued a long-dated covered call option, dated September 21, 2001 (documented as the Global Call Warrant), for which it received a premium.

- On September 24, 2001, TAC purchased Barnville's 99% membership interest in TTP for approximately $768.8 million and Mrs. Saban purchased Euram's 1% membership interest in TTP for approximately $7.8 million.

- Because TTP had not made an IRC Section 754 election, no basis adjustment was required as a result of the sale of the membership interest by Barnville.

- According to the Operating Agreement of TTP dated September 21, 2001, the aggregate value of the Portfolio at the effective date was approximately $768.9 million, which was substantially less that the aggregate value of the Portfolio on the respective stock lending and purchase dates.

= Redacted by the Permanent Subcommittee on Investigations

- TTP hedged its downside on the Portfolio by purchasing "at the market" put options on the Portfolio and partially offset the cost of the put options by issuing call options on the Portfolio having an aggregate exercise price of approximately $830 million (collectively, the "Collar").
- The expiration dates of the puts and calls making up the Collar were during the last two weeks of December 2001.
- TTP's net cost for the Collar was approximately $32 million.
- On September 28, 2001, Silverlight transferred TAC stock to Mr. and Mrs. Saban.
- On October 22, 2001, Mr. and Mrs. Saban contributed their FFWW stock (not including the Silverlight FFWW stock) through intermediaries to TTP.
- On October 24, 2001, TTP sold the FFWW stock to Disney and reported a gain of approximately $686 million.
- On November 12 and 13, 2001, TTP sold the Portfolio.
    - As a result, both the Collar and the long-dated covered call option were terminated.
    - TTP reported a net tax loss of approximately $699 million.
- TTP continues in existence as an investment partnership, with TAC as its principal member.

TTP Transaction Documentation:

The TTP Transaction is evidenced by the following documentation:

(a) [redacted]

(b) [redacted]

(c) [redacted]

(d) [redacted]

Mr. Robert L. Roach
July 13, 2006
Page 5

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted]

(e) [redacted]

You also asked that we provide the amounts of fees paid and indicate to whom they were paid. In connection with these transactions, and with negotiations with The News Corp. and the subsequent sale of FFWW stock to Disney, TTP, Silverlight and Mr. and Mrs. Saban, and various entities related to Mr. and Mrs. Saban, paid various legal, banking, and professional fees and expenses that were reported for tax years ending in 2001. We have not attempted to distinguish fees and expenses exclusively related to the negotiations with The News Corp. and the subsequent Disney sale from other fees and expenses because of the difficulty of separating the activities of the various professionals. It is our understanding that these fees and expenses were allocated between TTP and Silverlight on the basis of the number of FFWW shares sold by each (approximately 52.59% to Silverlight and 47.41% to TTP). Additional fees and expenses (including $11 million to a Wall Street investment banking firm involved with The News Corp. negotiations and the FFWW sale, $13 million to resolve a third party claim to an equity interest in FFWW and approximately $400,000 to Matthew G. Krane, Esq. for a variety of legal services, including services related to the transactions) were paid and reported in subsequent years.

These fees and expenses reported in 2001, including those related to the negotiations with The News Corp. and the subsequent sale of the FFWW stock to Disney, were allocated to Silverlight and TTP, respectively, as follows:

Professional fees and expenses	Silverlight	TTP
[redacted]	[redacted]	[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted]

European American Investment Bank AG
Wallnerstrasse 4 1010
Vienna, Austria

4,043,729 3,644,882

[redacted]

Matthew G. Krane, Esq.
1451 North Kings Road
Los Angeles, CA 90069

224,595 202,442

[redacted]

Quellos Group, LLC
601 Union Street, 56th Floor
Seattle, WA 98101

28,353,254 25,556,676

[redacted]

---

1 [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted] SILVERLIGHT TTP

Total Professional Fees and Expenses [redacted]

For agreements relating to Quellos Financial Advisors, LLC, European American Investment Bank AG, and Quellos Custom Strategies, LLC., see documents [redacted]

As you know, this letter and many of the documents referenced herein concern matters relating to Mr. Saban's relationship with his family and to their personal finances. In that context, we request, on behalf of Mr. Saban, that confidential treatment be accorded to this letter and to the referenced documents. Should the Subcommittee, at any point, intend to make this letter or any of the documents public, we ask that you promptly notify us and allow us the opportunity to address the issues with you before the Subcommittee publicly discloses any of these materials.

Please do not hesitate to call should you have any questions regarding this matter.

Sincerely,

Eleanor Hill

Enclosures
cc: Mr. Mark Nelson
Mr. Stephen Gardner
Mr. Milton Hyman

[redacted]

HSBC

Note
22 Aug 2001 10:25

From:	George Wendler	Tel:	(1 212) 525 6065
Title:	Senior Exec Vice President	Location:	452 5th Ave, Floor 03
WorkGroup:	RNB Domestic Lending Support	Mail Size:	5770

To: Robert Trenor, et al

Subject: NON-CIB GROUP: HAIM SABAN FAMILY GROUP

DPB 8/28/01

fyi.....

Forwarded by George Wendler/HBUS/HSBC on 08/22/2001 10:25 AM

Crf SHUTTLE@HSBC
22 Aug 2001 15:20

Sent by: Lindsey KELLOW@HSBC

To: George Wendler
cc: Iain Stewart, et al

Our Ref: GHQ CRF 011680 **Your Ref:**
Subject: NON-CIB GROUP: HAIM SABAN FAMILY GROUP

Dear George

NON-CIB GROUP: HAIM SABAN FAMILY GROUP
BORROWER: SILVERLIGHT ENTERPRISES LP - GRADE 2

We concur, subject to your approval and the points raised by Russell Schreiber in his note dated 22 August 2001. Ideally we would wish that Saban guarantee the transaction from the outset; this should be attempted albeit on a best endeavours basis.

Yours sincerely

P L Hargreaves
Group Financial Risk Controller

pkb/ljk

01144207260 9473 8/16

CUSTOMER INFORMATION AND PROPOSAL –
PRIVATE INDIVIDUALS / PRIVATE COMPANIES TEMPLATE
SUBMITTING UNIT: (*Private Banking*)

CUSTOMER(S): Silverlight Enterprises, L.P.
BENEFICIAL OWNER (CO): Haim Saban
ADDRESS: 10960 Wilshire Blvd Fl 22 L.A. Ca 90024-3702

OCCUPATION(PI): ENTERTAIN MENT NATIONALITY (PI): USA
DATE STARTED (CO): 1994 COUNTRY OF INC.(CO): USA
COMPLETE KYC INFO(*Yes/No*): Yes
LAST APPROVAL: new
SIC CODE

DATE: 8/15/01
CREDIT/COUNTRY GRADE: 2/1
CREDIT REVIEW CODE/DATE: P
CUSTOMER NUMBER: new
OFFICER: MPan CODE: GG8

EXPIRATION: 3/15/02
DATE ACCT. OPENED: new
~~CREDIT FIRST EXTENDED:~~ new

APPLICATION FOR: Approval Reapproval Notation Temp. Extension [Increase Decrease]

1) Secured line of credit	$730,000	Secured	210 days	Libor + 1% 0.25% on $621,000 0.5% on $109,000 Tot fee: $2,097	$		

PURPOSE: To purchase an investment holding company

REPAYMENT SOURCE / ADVANCE FORMULA(S) / MARGINS / SIGNIFICANT CONDITIONS / INTEREST FREQUENCY: *Investment income, sale of stock portfolio, sale of private stocks. Loan to mature 5 days prior to maturity date of collar.*

Pledged of Stock Portfolio collared by HSBC Derivatives Gp with minimum put value of $690 million	$690,000	$621,000
Pledge of marketable securities in custody account LTV 70%	17,700	12,390
Assignment of LP interests in 5 investment partnerships LTV 25%	21,600	5,400
Pledge of Music Rights in 5161 Corp LTV 40%	40,000	16,000
Assignment of sales proceeds of 4,165,425 shares of FFW held in Silverlight. Shares to be held in HSBC safekeeping	832,000	249,600
Assignment of proceeds on 3,764,903 FFW shares to be held in Titanium. Shares to be held in HSCB safekeeping	752,000	225,600

On-Balance-Sheet (Direct)	$	Last 1 Month DDA (Checking) Average	$
Off-Balance-Sheet (Indirect/Contingent)	$	Last 12 Month DDA (Checking) Average	$
	$	Last 12 Month IMDA (interest bearing) Average	$

CASH OR EQUIVALENT				
REAL ESTATE				
OTHER FIXED ASSETS				

'01 AUG 28 PM 1:3

GUARANTEES

NAME	SECURED	UNSECURED	SECURITY TYPE	SECURITY VALUE	NET WORTH	TOTAL ASSETS
5161 Corporation					$27,987	$482
Titanium LLC					N/A	N/A
Titanium Acquisition Corp					N/A	N/A
Springing gty of Haim Saban if Disney sale fails to close in 180 days					$1,734,993	79,801

RELATED EXPOSURE

NAME	GUARANTEE	LOANS	TOTAL EXPOSURE
			$
TOTAL EXPOSURE			

OTHER ASSOCIATED RELATIONSHIPS: *(related accounts & deposits)*

CUSTOMER LAST VISITED / CALLED ON: *Visit with Haim Saban prior to closing*

DOCUMENTATION EXCEPTIONS/SUBJECT TO: _____

CREDIT RECOMMENDATION	Bingham Dana
DOCUMENTATION EXCEPTIONS	
CREDIT PROPOSAL SUBJECT TO	
RECORDS LAW/MISC. EXCEPTIONS	

Prepared by: Mary Agnes Pan

APPROVAL BY:

ECO: Howard Ross DATE: 8/16/01

ECO: _____ DATE: _____ OR

COMMITTEE: _____ DATE: _____ SECRETARY: _____

COMMITTEE COMMENTS: 8/17/01

Recommendation For Approval
$ 730 Million 210-day Loan
Silverlight Enterprises, L.P.
owned by the Haim Saban family

Executive Summary:

Approval is recommended for a $730 million dollar loan and a fully collateralized equity collar on $690 million of shares to Silverlight Enterprises, L.P.; the collar is intended to provide a guaranteed market value on the collateral for the major part of the loan. This recommendation is based on:

- High Quality Collateral
  - $690 million of liquid shares with an equity collar provided by HBUS via the Derivatives & Structured Products in New York, guaranteeing $690 million minimum market value at maturity.
- Additional Collateral
  - $832 million in proceeds from part of the sale of Fox Family Worldwide (FFW) to Disney
  - $17 million in marketable securities and $21.6 million in LP (hedge fund) interest
- Guarantee of Titanium Trading Company which will hold an additional $752 million of FFW. HSBC will have assignment of the proceeds of these FFW shares as well.
- Guarantee of Haim Saban, if the Disney purchase of Fox Family Worldwide is not completed within 180 days. *(See Appendix: IV Liquidation Analysis)*
- Liquidation of collared shares and collar can be accomplished within one day with no risk to $690 million principal. If the collar were to come to maturity, the shares could easily be sold without market disruption. *(See Appendix: V Stock Basket Liquidation)*
- Equity Collar is fully collateralized share-for-share and as such no counterparty risk.
- Highly Profitable transaction with an estimated EP of $9,527,900.
- High expected probability of future business, particularly asset management and private banking business
- Support and approval by senior management in HBUS (Youssef Nasr), IB&M Americas (Iain Stewart, Joe Petri) and US Domestic Private Banking (Leslie Bains)
- Support and approval already provided by HBUS Chief Credit Officer (George Wendler), HBUS Market Risk Management (Steve Geovanis and Tony Murphy) and, HBUS Legal (Angelo LoMascolo and Cecile Hollevout)

Transaction Terms:

Borrower:	Silverlight Enterprises, L.P
Purpose:	To purchase Titanium LLC, a newly incorporated (Delaware) investment holding, company in connection with tax planning advised by Quellos group. (Quellos is Wolfensohn's financial advisor.)
Amount:	$730,000,000.00
Facility:	210 day secured loan.
Rate:	Libor + 1.00%
Fee:	0.25% up-front fee for loan secured by collared portfolio ($1,552,500) 0.50% on loan balance ($545,000) Total: $2,097,500
Repayment:	Interest and Principal paid at maturity. Prepayment allowed.

Collateral:

Collared Shares Collateral	Market Value	Collateral Value
• Pledge of custody account in HSBC i/n/o Titanium LLC with a basket of Stocks collared by HSBC Derivatives & Structured Group with a minimum put value of $690M.	$ 690.0M	$ 621.0M (90% CV)
Other Collateral		
• Pledge of Marketable securities in Silverlight valued a $17.7 million in an HSBC collateral account.	$ 17.7M	$ 15.9M (70% CV)
• Assignment of LP interest in 5 investment partnership funds held in Silverlight.	$ 21.6M	$ 5.4M (25% CV)

• Pledge of Music rights held in 5161 Corp with annual income of $4.4 million. Estimated market value: $40 million	$ 40.0M	$ 16.0M (40% CV)
• 4,165,425 (26%) shares of Fox Family Worldwide, Inc. (FFW) in Silverlight to be held in a safekeeping account in HSBC with assignment of sales proceeds. (FFW sold for $3.2 billion cash to Disney).	$832.0M	$249.6M (30% CV)
• Assignment of proceeds of 3,764,903 FFW shares (23.5%) transferred to Titanium Acquisitions	$752.0M	$225.6M (30% CV)
• Pledge of all GP & LP interests in Silverlight Enterprises LP	N/A	N/A
• Assignment of 100% stock interest in Titanium LLC	N/A	N/A
Total Collateral	$2,353.3 M	$1,133.5M

Note: Excluding the collar the LTV is 6.55% (109M/1,663.3M)

Guarantors: Titanium Trading Partners LLC, 5161 Corporation.

Equity Collar: HBUS Derivatives & Structured Products Group will provide a collar on the $690 million stock basket. The collar is specifically collateralized by the associated shares and guaranteeing $690 million at maturity.

Additional Guarantee: If the Disney purchase of Fox is not consummated with in 180 days, Haim Saban will personally guarantee the loan

Profitability:

Loan Income:

Loan Fee:	$ 2,097,500 up-front
Net Interest:	$ 4,258,000
Total	$ 6,355,500
Loan EP	$ 5,934,900

Annualized ROC for Collared Loan Portion: 178.57%
Annualized ROC for Margin Loan Portion: 17.86%

Derivatives Income:

Derivatives:	$ 3,500,000
Derivatives EP:	$ 3,388,000
Annualized ROC on Collar:	232.14%

Other Income:

Brokerage:	$ 200,000
Custody:	$ 5,000
Total income:	$ 10,060,500
Total EP:	$ 9,527,900

Risks & Risk Mitigants

Counterparty Credit Risk:

- HBUS Chief Credit Officer, George Wendler, had provided approval, subject to GHQ CRM approval.
- Estimated Value of collateral totals $2.46 billion versus an $730 million loan. Within the collateral, the collared shares are guaranteed to be worth $690 million at expiry.
- The equity collars provided by HBUS (Derivatives & Structured Products Group) will be collateralized share-for-share and, hence, has no counterparty credit risk.

- All shares will be held in custody accounts with HSBC.
- Neither Silverlight Enterprises LP nor Titanium Trading Partners, LLC may take on other debt.
- Pledge of 100% stock interest in of Titanium Trading Partners, LLC
- Pledge of the GP & all LP interests of Silverlight Enterprises, LP
- Titanium Trading Partners, LLC will have a stock borrowing agreement with HBUS. This will reduce the cost of shorting the stock.
- Assignment of proceeds of Disney purchase of FFW shares to HSBC signed by Haim Saban.
- If the Disney purchase of Fox Family Worldwide is not completed within 180 days of the commencement of the loan, Haim Saban will personally guarantee the loan. Saban's net worth is $1.734 billion.

Market & Liquidation Risks:

- HBUS Head of Market Risk Management, Steve Geovanis and Chief Strategic Officer, Tony Murphy have reviewed HBUS hedge strategy and have provided their approval on the equity collar from a market risk perspective.
- All the shares of marketable securities will be held in a custody account at HBUS Private Bank.
- Collar will mature over a period of 5-10 business days to reduce liquidity risk.
- Loan will mature 5 days prior to the collar maturity. Thus, HSBC can control the simultaneous liquidation of the stock and collar positions to ensure full loan repayment.
- Even if the Disney acquisition of FFW were to fail, after the initial liquidation steps the LTV would still be below 10%.

Legal & Documentation Risks:

- HBUS Head of Legal, Angelo Lomascolo and Cecil Hollevoet had provided approval, assuring that the legal structure can be implemented and that the collateral can be properly secured. HBUS legal will explicitly opine that the structure is secure.
- HBUS will use outside counsel in conjunction with internal HSBC counsel on loan documents.
- Borrower's counsel, to provide legal opinion. HSBC's attorney to provide opinion that the loan is properly documented and position is secured.
- Counterparties will sign strong non-reliance language in agreements.

Conclusion

This is an extremely attractive opportunity for HSBC. It will lead not only to a significant relationship in a key HSBC Group strategic client segment, but also the transaction generates significant EP with a very low risk profile. We strongly recommend approval.

Appendices

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I. Background:

Quellos is a financial and tax advisor specializing in families with net worth in excess of $200 million. HSBC have been working with Quellos for the past few years. Quellos handles, as an example, the financial matters of James D. Wolfensohn, President of the World Bank and a HSBC Private Client. Quellos has been advising Mr. Saban for the past three years, especially in tax planning.

Haim Saban is well known for introducing Power Rangers to the US entertainment market. He is originally from Egypt and immigrated to Israel, where he became a concert promoter. He lost a lot of money after promoting a Japanese Band to tour Israel, which coincided with the Yom Kippur War. Subsequently, he moved to France where he started producing theme songs for TV shows. In 1980, Saban moved to Los Angeles and began creating sound tracks for cartoons and producing low budget animation cartoons. He later met up with a Japanese friend from the ill-fated Israel tour who became successful in the Japanese children's serial programs. Through this connection, Saban started Saban Entertainment Inc. and in 1993 began to produce a series of children's show "Mighty Morphin Power Rangers" which became an overnight success drawing over 4 million viewers daily and the highest rated weekday show in most key children's demographics. Saban made $70 million in revenue for the first year and $10 million in pretax profit. With the enormous profit obtained from the Power Rangers programs and licensing of consumer products, Saban acquired 49.5% interest in Fox Family networks with News Corp as co-owner. Saban also has an agreement with News Corp., which gives him the option to sell his 49.5% ownership of Fox Family to News Corp. News Corp has three choices: a) to buy Saban's stake in cash, b) bring in a partner to buy Saban's stake or c) sell the entire operation. Saban has exercised his option recently and News Corp has decided to sell the entire network. A purchase agreement has been signed in which the network will be sold to Disney for $ 5.3 billion ($3.2 billion cash, assumption of debt $2.1 billion).

Mr. Saban is expected to receive $1.584 billion cash from the sales proceeds. As part of his investment program, to gain diversification and to minimize his capital gains tax, Mr. Saban has discussed with many tax consultants to seek expert advice. At the suggestion of his attorneys and Quellos, Mr. Saban will be purchasing an offshore entity, Titanium Trading Partners, Inc. which had substantial capital losses that he can use to offset his capital gains from the sale of FFW. To structure this transaction, Silverlight Enterprises L.P. , a Saban family partnership will need to borrow $730 million to purchase Titanium.

II. Entities

A. Silverlight Enterprises, LP:

Silverlight Enterprises L.P. is a partnership formed to own the personal holdings of Haim Saban with the following partners:

Haim Saban and wife Sheryl Saban	94%
Trust for children	5%
General Partner – 5161 Corporation	1%
Total	100%

Balance Sheet dated as of April 30, 2001
$000

Assets:	
Cash and Money Market Accounts	100
Accounts and Loans Receivable [1]	3,012
Marketable Securities	32,830
Investment Partnerships	21,226
Fox Family Worldwide, Inc. [2]	832,000
Total Assets	889,168
Liabilities:	
Accrued Guaranteed Payment	653
Total Liabilities	653
Partners' Capital	888,515
Total Liabilities and Equity	889,168

[1] Includes $2,850M receivable from Haim Saban and $162M receivable from an investment partnership.
[2] Silverlight owns 4,165,425 shares of common stock out of a total of 16MM shares (26%). The value of the holding was determined using market capitalization of $3.2 billion for the company.

The information above is based on internally generated financial statements. Haim Saban owns 49.5% of Fox Family Worldwide, Inc. (FFW), a global children's-programming business, with News Corp. owning 49.5% and the remaining 1.0% held by the investment banking firm of Allen & Company. Saban's 49.5% stake in FFW is held as follows: Silverlight owns approximately 26% and Saban Entertainment Inc. owns the remaining 23.5%. Late last year, Mr. Saban exercised his option to have News Corp. purchase his stake in FFW. However, since the two could not agree on a fair price they agreed to jointly sell the business. It was recently announced that Disney would purchase 100% of FFW for $3.2 billion in cash plus the assumption of $2.1 billion in debt. As a result of this sale, Haim Saban will receive $1.58 billion for his interest in FFW (Silverlight's share is $832 million). The deal with Disney does not include the U.S. Fox Kids Network in which Mr. Saban also has an ownership interest. News Corp. will purchase Mr. Saban's interest in Fox Kids as well but for approximately $40 million.

Approximately $15MM of the $32MM in marketable securities owned by Silverlight is pledged as (a) collateral for lines of credit that Haim Saban has with Northern Trust ($15.5MM) and (b) additional collateral for a Gulfstream V airplane loan that Norlease Inc. has to Saban ($35MM). The marketable securities are all housed at Northern Trust but are managed by different investment advisors including J.P. Morgan, U.S. Trust, Simms Capital Management.

Investments in partnerships of $17MM represent investments in various hedge funds as shown on the next page:

Fund Name	Saban Invest.	Strategy	AUM	# yrs. in existence	Redemption	Leverage	2000 Return	Benchmark 2000 Return
Ashton Enterprises, L.P.	1.2							
Everest Capital Frontier, L.P.	1.2	high yield						
Kellner, Dileo, & Co. L.P.	4.8	Merge Arb.	258	10	Annually		24.83%	
Maverick Fund USA, Ltd	3.0	med./lg. Cap	2147	7	Monthly		27.30%	
R. Chaney & Partners III L.P.	1.5							
Transpac Capital 1996 Fund	2.6							
Wexford Special Situations 1997	2.0		20	4	Quarterly		21.50%	
Windsor Capital	0.3							
Mapleton Platinum Investors	1.0	Lg/shrt hedg	24	1.5			-13.39%	
Netlaunch Investors	0.4							
Total	17.7							

The above 10 L.P. investments represented a diversified portfolio managed by 10 different managers. The strategies ranged from high yield to merger arbitrage, energy, technology , long/short in US as well as in Israel. Some of these investments pay regular distributions while others are for long term investment. A few have monthly and quarterly liquidity but some LP interests are illiquid with little or no marketability

Silverlight has no liabilities other than $653,000 of accrued guarantee payment in connection with a semi-annual guaranteed payment of $980,000 payable to the Class A partner on June 30, 2001. Shortly thereafter, the partnership agreement will be amended to eliminate the guaranteed payment. As such, Silverlight will have no liabilities or creditors.

Income Statement for the 3-month period ended March 31, 2001:

Income:	
Interest Income	22
Dividend Income	61
Capital Gains or Losses	458
Other Gain/(Loss)	-30
Partnership Distributions	595
Total income	1,106
Investment Expenses	72
Net Income	1,034

For the three months ended 3/31/01, Silverlight derived the majority of its revenue from distributions from hedge funds ($595M) followed by capital gains on the marketable securities portfolio ($458M). Other losses of $30M represent revenue taxed for calendar year 2000 but settled in 2001. As this is an investment holding company, returns/income are subject to performance of the portfolio managers and the overall market. As such , annual revenue and income will be different year to year.

B. Haim Saban:

Consolidated Balance Sheet dated as of March 31, 2001
$000

Assets:		Liabilities:	
Current Assets		Current Liabilities	
Cash and Cash Equivalents	3,956	Income Taxes Payable	200
Marketable Securities	69,031	Payroll Tax Payable	136
Fixed Income Securities	6,478	Line of Credit-Northern Trust Co.	7,500
Miscellaneous Receivables	336	Line of Credit-Northern Trust Co.	8,000
Total Current Assets	79,801	Music Payables	475
		Total Current Liabilities	16,311
Other Investments			
Investment Partnerships	35,389	Long-Term Debt	
Real Estate Partnerships (tax basis)	173	Norlease loan (GV Aircraft)	34,045
Total Other Investments	35,562		
		Total Liabilities	50,356
49.5 % Fox Family World Wide	1,584,000		
Gulfstream V Aircraft (purchase price)	39,716		
Real Estate			
61 Beverly Park (at cost)	16,761		
Israel Real Estate (at cost)	325		
24871 Mulholland Highway (at cost)	487		
242 17th Street (at cost)	1,509		
22368 Pacific Coast Highway (at cost)	12,793		
Villa Eden, Acapulco (at cost)	7,736		
Total Real Estate	39,611		
Personal Property	3,804		
Other Assets	2,855	Owner's Equity	1,734,993
Total Assets	1,785,349	Total Liabilities & Owner's Equity	1,785,349

Haim Saban has 49.5% ownership interest in Fox Family Worldwide ($1.58 billion). Even excluding the FFW ownership, Saban has a net worth of $150 million.

Also, as noted in the 5161 Corporation section the music library is not shown on the balance sheet as all costs have been fully depreciated. The consolidated balance sheet above includes the following entities Saban controls:

- Silverlight Enterprises (partnership)
- Saban Entertainment Inc.
- Cassano (partnership)
- Glass Wave (partnership)
- 5161 Corporation (wholly-owned S Corp.)

Fox Kids has been excluded.

Of note all bank debt is extended to Haim Saban personally. The GV aircraft and approximately $15MM in marketable securities are pledged to lenders for the aircraft loan and $15.5MM in secured lines of credit offered by Northern Trust Co.

The pro-forma balance sheet below shows Saban's financial position after the sale of Fox Family Worldwide to Disney. As noted, Saban has a 49.5% ownership interest in FFW. Since Disney is paying $3.2 billion in cash for FFW, Saban will collect $1.58 billion in cash. Based on tax advise provided by the Quellos group, Saban is expected not to have any tax obligations from the sale of FFW. The tax liability is being eliminated through Saban's purchase of an investment portfolio with a substantial loss. In this connection Saban intends to invest

$730MM, or approximately 50% of his share of the sales proceeds, in a basket of equities which HSBC will build a collar around with a loanable value of $627.21M. According to Quellos, Saban's expenses in connection with the execution of tax driven strategy is approximately $72MM including up-front loan commitment fee, interest expense and collar premium, some of which Saban would. get back if the collar were unwound early. Saban will take out a loan of $730M with HSBC to finance the acquisition of the stock portfolio with a substantial loss and to cover closing costs.

Pro-Forma Consolidated Balance Sheet
$000

Assets:		**Liabilities:**	
Proceeds from Sale of FFW	1,584,000	HSBC Loan	730,000
Collared Shares	690,000	Liabilities as of Statements dated 3/31/01:	
		Current Liabilities	16,311
Assets from Balance Sheet dtd 3/31/01:		Long-Term Debt	34,045
Current Assets	79,801	Sub-Total	50,356
Other Investments	35,562		
GV Aircraft	39,716	Total Liabilities	780,356
Real Estate	39,611		
Other	6,659		
Sub-Total	201,349	Owner's Equity	1,694,993
Total Assets	2,475,349	Total Liabilities & Owner's Equity	2,475,349

C. 5161 Corporation (wholly owned S Corp of Haim Saban):

Balance Sheet dated as of April 30, 2001
$000

Assets:	
Cash and Marketable Securities	482
Due from Avjet Corp.	286
Prepaid Taxes	2
Total Current Assets	770
Fixed Assets:	
Gulfstream V Aircraft	35,579
Shift Into Turbo	1
The New Addams Family	1
Less Accum Dep. GV Aircraft	(8,464)
Net Fixed Assets	27,117
Other Assets	100
Total Assets	27,987
Liabilities:	
Accounts Payable	600
Total Liabilities	600
Shareholders' Equity	27,387
Total Liabilities and Equity	27,987

5161 Corporation is the general partner of Silverlight Enterprises L.P. and guarantor of the proposed facility.

Its principal asset is a Gulfstream V jet. The GV aircraft is shown at tax basis ($35.6MM) under Internal Revenue guidelines and is therefore lower than cost ($39.7MM). As shown below, 5161 Corporation derives revenues from three sources (Music library, GV airplane and miscellaneous income and general & administrative expenses). There is no value shown for the music library because the music copyrights have been fully depreciated. The music copyrights, however, generated approximately $4.4MM of net income in 2000. Based on this level of annual net income, the music library is worth an estimated $40MM based on 10 times cash flow multiple.

5161 Corporation is a guarantor of a term loan from Norlease, Inc. to Haim Saban in the amount of $35MM. The GV is pledged to Norlease as security for the guarantee. As previously noted, $10MM of Silverlight's marketable securities is pledged as additional collateral for the aircraft loan. Of note, 5161 Corp.'s guarantee of the aircraft loan is "non-recourse" to the corporation, in that it is enforceable only against the pledged assets and not against any other assets of the corporation.

Income Statement for the 12 months ended December 31, 2000:

	Airplane	Music	Corporate	Total
Income:				
Lease Income	2,526	-	-	2,526
Royalty Income	-	4,845	-	4,845
Interest/Dividend Income	-	-	21	21
Miscellaneous Income	85	-	-	85
Total Income	2,611	4,845	21	7,477
Expenses:				
Fuel	589	-	-	589
Maintenance	183	-	-	183
Depreciation	7,579	-	-	7,579
Composer Costs	-	418	-	418
Legal Fees	5	-	231	236
Accounting Fees		-	372	372
Miscellaneous Expenses	250	1	11	262
Total Expenses	8,606	419	614	9,639
Net Income	(5,995)	4,426	(593)	(2,162)
Income Before Depreciation				5,417

For the 12 months ended 12/31/00, 5161 Corp. derived the majority of its revenues from music copyrights. Of note, most of the music income was generated by BMI records ($3.8MM), with the rest contributed by SACEM ($417M), ASCAP ($178M) and Saban's own company, Saban Entertainment, Inc. ($449M). 5161 Corp.'s income before depreciation in 2000 was $5.4MM.

D. Titanium Acquisitions, LLC (C Corp.):

Titanium Acquisitions, LLC, a Delaware company, was formed for the purpose of purchasing Titanium Trading Partners, LLC

E. Titanium Trading Partners, LLC:

Titanium Trading Partners, LLC, a Delaware company, is an investment company holding US marketable securities with a substantial loss with a market value of $690 million. The portfolio consists of the following:

Stock	Shares	Price	Value
ADBE	1,500,000	33.9400	50,910,000
ADP	1,000,000	49.4600	49,460,000
AMAT	1,100,000	44.1500	48,565,000
AMCC	900,000	15.9600	14,364,000
AOL	1,000,000	38.6500	38,650,000
BEAS	900,000	17.7800	16,002,000
BGEN	900,000	57.7900	52,011,000
BRCD	900,000	31.1200	28,008,000
CCU	950,000	53.6000	50,920,000
CSCO	850,000	17.2600	14,671,000
DELL	1,500,000	25.8000	38,700,000
EBAY	800,000	60.6000	48,480,000
MU	1,000,000	36.9700	36,970,000
NOK	1,000,000	18.7800	18,780,000
ORCL	1,000,000	15.2000	15,200,000
PCS	1,000,000	24.4100	24,410,000
Q	2,000,000	25.5600	51,120,000
SUNW	1,000,000	15.1100	15,110,000
TER	500,000	31.8400	15,920,000
VRTS	500,000	34.0410	17,020,500
WCOM	1,000,000	13.9100	13,910,000
XLNX	800,000	37.9800	30,384,000
		Total Portfolio	689,565,500

HSBC will place a basket collar around these stocks with a minimum value of $690M. HSBC's loan to value is 90% of the minimum value or $690M. All the stocks will be placed in an HSBC US Domestic Private Bank collateral custody account to secure the collar and the loan.

III Collateral Analysis

Collateral Analysis:
In$MM

	Mkt Value	LTV	Coll Value
• Basket of stocks with collar and minimum put value	690.0	90%	621.0
• Pledge of Marketable Securities in Silverlight	17.7	70%	15.9
• Pledge of LP interest in L. P. funds	21.6	25%	5.4
• Pledge of Music Rights in 5161 Corp.	40.0	40%	16.0
• Assignment of sales proceeds on 4,165,425 (26%) shares of Fox Family Worldwide, Inc. (FFW) owned by Silverlight. Shares to be held in HSBC safekeeping account	832.0	30%	249.6
• Assignment of sales proceeds on 3,764,903 (23.5%) shares of Fox Family Worldwide, Inc. (FFW) owned by Saban Ent. Shares to be transferred to Titanium LLC and to be held In HSBC safekeeping account.	752.0	30%	225.6
• Pledge of all GP &LP interests in Silverlight Enterprises LP	N/A	N/A	N/A
• Pledge of 100% stock interest in Titanium LLC	N/A	N/A	N/A
Total collateral value	2,353.3	48.2%	1,133.5

Loan exposure not covered by collar will be $109 (i.e. $40 million excess plus 10% on the $690 million collar haircut) million supported by $1,663.3 million in collateral value and LTV of 6.55%.

- The $690 million stock portfolio represents the strongest collateral coverage for the $730 million. This basket has a minimum market value of $690 million as a result of the collar transaction with the HBUS derivative and structured products group. This guarantees $690 million at maturity, or repayment of 94.5% of the loan, will only leave us an exposure of $40 million against the other collateral.
- The marketable securities provided by Silverlight are a pool of diversified large cap stocks and bonds managed by JP Morgan Chase. The portfolio will be transferred to HSBC custody and standard 70% margin rate will apply.
- The LP interests are in 10 different LPs of which only 5 will normally meet our collateral requirements. Some of the LP invests in speculative technology sector with losses during the past year and one invests in start up companies in Israel. Two are long term investments with little marketability in time of liquidation. However, Maverick Fund has monthly liquidity and invests in medium to large cap stocks with attractive returns (27% in 2000). Kellner Dileo is a Merger Arbitration Fund with annual liquidity and stable returns. Wexford Special Situations also have quarterly liquidity and invests in identified acquisition candidates similar to the merger and Arbitrage strategies. As such we are taking these funds as additional collateral with a low 25% LTV.
- The music rights represent background music used in cartoons and children's TV programs and movies internationally for more than 15 years. BMI represents 5161 Corp in collection of substantially all the revenue generated. Annual income is approximately $4.4 million and this has been a stable stream of revenue for the past few years. Using a standard 10 times multiple, we estimated market value of $40 million..
- Haim Saban has a negative pledge agreement with News Corp that he will not pledge his 49% interests in FFW. However, he is agreeable to pledge to us the sales proceeds as well as the LP interests in Silverlight

Enterprises LP which owns 26% of FFW and 100% stock holdings of Titanium LLC which will own 23% interests of FFW. The combined 49% currently has a value of $1,584 million based on the recent offer by Disney. The Disney transaction is anticipated to close in September 2001 and the proceeds will be used to repay this loan. This represents almost 40 times coverage of the uncollared portion of the loan. Should the Disney transaction fail to close, Haim Saben will provide his personal guaranty pending the next buyer or purchase by News Corp. According to the put agreement, News Corp must purchase the 49% FFW in cash within 4 years from date of put exercise. (12/00). Even if the sale price is reduced by 50%, we will still have 20 times coverage for our exposure.

IV. Transaction

A. Conditions Precedent:

- All parties to this transaction must have accounts with HSBC such that loan the proceeds and the stock portfolio and the collar will all be controlled in-house.
- Borrower's counsel, to provide legal opinion. HSBC's attorney to provide opinion that the loan is properly documented and position is secured.
- If loan is not fully repaid in 180 days or if the Disney purchase of FFW fails to close within 180 days, Mr. Haim Saban will provide his personal guaranty of all loan outstanding.
- Under a stock lending arrangement, Barnville, an Isle of Man company, has loaned to Jackstones Ltd. (another Isle of Man company) a stock portfolio valued at $690MM where the stocks have been shorted in the market.

B. Cash Flows on Settlement Date:

As part of his investment and tax planning strategy, Mr. Saban with Quellos as his advisor is requesting HSBC to execute the following transaction.

Step 1: Silverlight Enterprises LP ("Silverlight") borrows $730 million. The money will be distributed into an account at HSBC.
Step 2: Titanium Acquisitions Company ("Acquisitions"), a Delaware company, receives $730 million from Silverlight into an account at HSBC for the purposeof acquiring Titanium Trading Partners LLC ("Trading")
Step 3: Acquisitions will purchase Trading from Barnville for $696.9 million. Barnville will receive this money into its account with HSBC.
Step 4: Acquisitions will contribute to the account of Trading the remaining $72 million proceeds of the loan.
Step 5: Novating of the Stock Lending Agreement with Jackstones Limited ("Jackstones") to Trading, Barnville will transfer $696.9 million in funds (those funds paid by Acquisitions to Barnville) to Trading.
Now all $730 million in loan proceeds are in Trading. Barnville exits from the transaction.

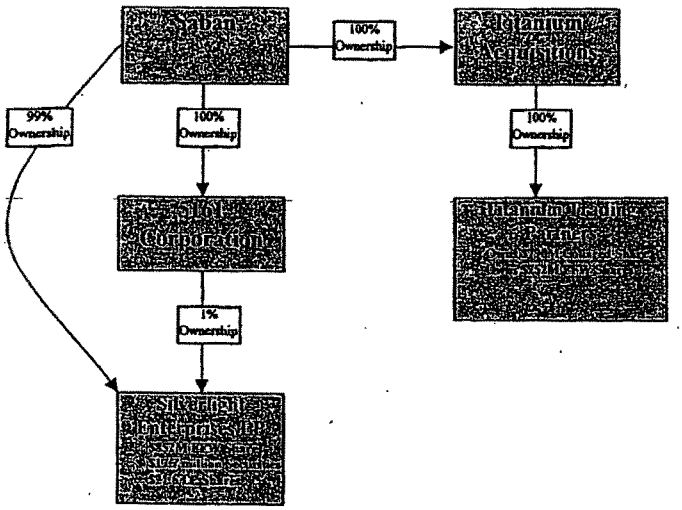
Step 6: $690 million will be transferred from Trading to the Jackstones account at HSBC.
Step 7: The $690 million of proceeds will be used by HSBC to repurchase on behalf of Jackstones the $690 million in shares from the market (closing Jackstones short in the market).
Step 8: The shares will be subsequently transferred to Trading. The stock portfolio will have a market value of $690 million.
This closes out the stock lending agreement between Jackstone and Trading. Jackstone has no positions and exits the transaction.

Step 9: Simultaneously, Trading will purchase a 210 days collar from HSBC on the basket of stocks with a minimum put value of $690 million. The shares will be held in a HSBC custody account pledged as collateral to the Bank
The collar protects $690 million in collateral value

Step 10: Shortly there after, Acquisitions will elect a 734b distribution in which ownership of Titanium Acquisitions will be distributed to LPs Haim and Sheryl Saban in exchange for contributing the balance of FFW shares into Titanium Acquisitions.
Step 11: These shares will be further contributed into Titanium Trading.

Note: If the sale of FFW is not consummated within 180 days, Haim Saban's personal guarantee will be triggered.

C. Ownership Diagram:



Transaction Results

Silverlight:

- has $730 million loan
- holds $852 million of FFW shares
- holds $50.5 million of other collateral

Saban:

- owns 100% Titanium Acquisitions
- transfers $752 million FFW shares to Titanium Trading Partners
- owns $690 million of collared shares in Titanium Trading Partners

V. Liquidation Analysis: if Disney purchase of FFW fails

In the event that the Disney acquisition of FFW does not take place, News Corp is still obligated to buyout Saban's 49.5% stake in FFW for cash. According to the agreement, News Corp could conceivably take as long as four years to finalize such a deal (even so, it seems unlikely given that Rupert Murdoch tends to move swiftly). In any case, a partial liquidation would take place as follows:

Drawdowns:	
Purchase Titanium Trading	696,900
Pay up-front Loan Fee	2,097
Purchase Collar	30,000
Total Initial Drawdown	728,997
Interest at Libor plus 1.00%	19,433
Maximum Loan Outstanding at time of liquidation	748,430
Liquidation of Collared Position	690,000
Liquidation of Securties in Account (10% discount)	15,900
Liquidation of LP interests (25% discount)	16,200
Total Liquidation	722,100
Loan outstanding after initial liquidation	26,330

The following is a Pro-Form Consolidate Balance Sheet after the above liquidation has taken place. For purposes of conservatism, the FFW shares have been marked down 50%.

Pro-Forma Consolidated Balance Sheet
$000

Assets:		Liabilities:	
Proceeds from Sale of FFW	792,000	HSBC Loan	26,330
		Liabilities as of Statements dated 3/31/01:	
		Current Liabilities	16,311
Assets from Balance Sheet dtd 3/31/01:		Long-Term Debt	34,045
Current Assets	79,783	Sub-Total	50,356
Other Investments	2,762		
GV Aircraft	39,716	Total Liabilities	76,686
Real Estate	39,611		
Other	6,659		
Sub-Total	168,531	Owner's Equity	883,845
Total Assets	960,531	Total Liabilities & Owner's Equity	960,531

Even in this case, the LTV would be 8.7%. Current Assets would exceed Total Liabilities. Saban's Net Worth *excluding FFW* would still be $91.845 million. Even if interest were to accrue over the next four years prior t the sales of FFW, the interest on the full $76 million would total $21.8 million. Additionally, HSBC holds a pledge of 5161 assets worth $40 million and producing $4 million of cash flows. The liquidation of 5161 (even with a 25% haircut) would cover the outstanding.

VI. Stock Basket Liquidation

The following table shows for each issue the market cap and the baskets holding as a percentage of the company. As one can see, these are well known, large-cap corporations with an average market cap of over $40 billion. In no case is our holding over 0.75% of the outstanding.

Stock	Shares	Share Outstanding (millions)	Market Cap (millions)	Percentage Outstanding
ADBE	1,500,000	238.864	$ 8,107	0.63%
ADP	1,000,000	624.238	$ 30,875	0.16%
AMAT	1,100,000	813.127	$ 35,900	0.14%
AMCC	900,000	301.361	$ 4,810	0.30%
AOL	1,000,000	4,271.788	$ 165,105	0.02%
BEAS	900,000	394.185	$ 7,009	0.23%
BGEN	900,000	148.538	$ 8,584	0.61%
BRCD	900,000	228.042	$ 7,097	0.39%
CCU	950,000	592.209	$ 31,742	0.16%
CSCO	850,000	7,294.000	$ 125,894	0.01%
DELL	1,500,000	2,603.596	$ 67,173	0.06%
EBAY	800,000	273.268	$ 16,560	0.29%
MU	1,000,000	597.335	$ 22,083	0.17%
NOK	1,000,000	4,699.280	$ 88,252	0.02%
ORCL	1,000,000	5,598.702	$ 85,100	0.02%
PCS	1,000,000	938.240	$ 22,902	0.11%
Q	2,000,000	1,663.721	$ 42,525	0.12%
SUNW	1,000,000	3,256.804	$ 49,210	0.03%
TER	500,000	175.764	$ 5,596	0.28%
VRTS	500,000	399.815	$ 13,610	0.13%
WCOM	1,000,000	2,957.030	$ 41,132	0.03%
XLNX	800,000	333.565	$ 12,669	0.24%

In the case of a forced liquidation, the shares would be sold into the market in conjunction with the unwind of the collar. In such a case, there is no market risk. To ensure complete control of the liquidation process and that the process always takes place protected by the collar, the loan will mature 5 business days prior to the collar. In addition, the collar itself would mature over on five consecutive business days. Therefore, HSBC would, at maximum, only need to liquidate one fifth of the portfolio into the market on any given day. The table below illustrates that in no case would the amount that needed to be liquidated be over 10% in trading volume on any one day.

Stock	Average Daily Volume	Percentage of Average Daily Volume	Maximum volume needed to sell in a day
ADBE	4,300,000	34.88%	6.98%
ADP	2,000,000	50.00%	10.00%
AMAT	14,900,000	7.38%	1.48%
AMCC	13,400,000	6.72%	1.34%
AOL	13,500,000	7.41%	1.48%
BEAS	16,100,000	5.59%	1.12%
BGEN	2,800,000	32.14%	6.43%
BRCD	12,200,000	7.38%	1.48%
CCU	2,400,000	39.58%	7.92%
CSCO	58,300,000	1.46%	0.29%
DELL	23,700,000	6.33%	1.27%
EBAY	6,100,000	13.11%	2.62%
MU	7,100,000	14.08%	2.82%
NOK	12,000,000	8.33%	1.67%
ORCL	35,500,000	2.82%	0.56%
PCS	12,500,000	8.00%	1.60%
Q	9,800,000	20.41%	4.08%
SUNW	42,700,000	2.34%	0.47%
TER	1,650,000	30.30%	6.06%
VRTS	13,450,000	3.72%	0.74%
WCOM	22,500,000	4.44%	0.89%
XLNX	6,000,000	13.33%	2.67%

ORGANIZATION MEETING
BY WRITTEN CONSENT OF THE SOLE DIRECTOR
OF
TITANIUM ACQUISITION CORPORATION

The undersigned, being the sole director of Titanium Acquisition Corporation, a Delaware corporation (the "Corporation"), hereby adopts the following resolutions by written consent in accordance with Section 141(f) of the General Corporation Law of the State of Delaware:

RESOLVED, That the Certificate of Incorporation, the Statement of Organization signed by the Incorporator and the ByLaws adopted by the Incorporator, copies of which shall be filed with the records of this Corporation, be and hereby are approved; and further

RESOLVED, That Haim Saban is elected President and Secretary of this Corporation, to serve in accordance with the ByLaws of this Corporation, and at the discretion of the Board until his successor is elected and qualifies or until his earlier resignation or removal; and further

RESOLVED, That the Corporation shall not have a corporate seal; and further

RESOLVED, That for the purpose of authorizing the Corporation to do business under the laws of any state as to which the officers of the Corporation determine such authorization is necessary or desirable, the proper officers of the Corporation are hereby authorized in the name and on behalf of the Corporation to take such action as may be necessary or advisable to effect the qualification of the Corporation to do business as a foreign Corporation in such state or states; and further

RESOLVED, That the form of share certificate for the common stock of this Corporation attached hereto be, and hereby is, approved and adopted, and that stock certificates in such form, appropriately executed, may be signed by the President or any Vice President and the Secretary or any Assistant Secretary, or the Treasurer or any Assistant Treasurer; and further

RESOLVED, That the officers of the Corporation be, and they hereby are, authorized and directed to issue 50 shares of the common stock of the Corporation to Silverlight Enterprises, L.P., a California limited partnership. Receipt of adequate consideration for such shares of stock hereby is acknowledged; and further

RESOLVED, That the officers of the Corporation be, and they hereby are, authorized to pay all fees and expenses incident to and necessary for the organization of the Corporation; and further

RESOLVED, That the proper officers of this Corporation, acting for and on behalf of this Corporation, be, and each hereby is, authorized to open deposit accounts for this Corporation and to designate signatories for such accounts in such banks as any of said officers, in his or her

discretion, may deem appropriate; and further

RESOLVED, That the printed form of Bank Resolutions of any said bank, when received, be and is adopted in its entirety and incorporated herein by reference; and further

RESOLVED, That the officers of the Corporation hereby are, and each of them hereby is, authorized in the name and on behalf of the Corporation, to take all such further action, to cause to be prepared and filed all such documents, and to execute and deliver all instruments which they in their discretion deem necessary or desirable or convenient and proper to carry out the intent of the foregoing resolutions; and the execution by such officers of any such document or instrument or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefore from the Corporation and the approval and ratification by the Corporation of the documents or instruments so executed, and the action so taken.

Dated and effective as of August 17, 2001.

Haim Saban
Sole Director

OPERATING AGREEMENT

OF

TITANIUM TRADING PARTNERS LLC

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OPERATING AGREEMENT
OF
TITANIUM TRADING PARTNERS LLC

THIS OPERATING AGREEMENT (this "Agreement") is made and entered into as of the 21st day of September, 2001 by and among the persons executing this Agreement on the signature page hereof (hereinafter collectively, together with such other persons who may hereafter become members as provided herein, referred to as the "Members" or individually as a "Member").

WHEREAS, Titanium Trading Partners LLC (the "Company") was formed on September 28, 2000 as a limited liability company under the Delaware Limited Liability Company Act pursuant to the Certificate of Formation filed with the Secretary of State of Delaware; and

WHEREAS, the undersigned, the sole Members of the Company as of the date hereof, do hereby adopt this Agreement as the operating agreement of the Company.

NOW, THEREFORE, in consideration of the promises and covenants contained herein, the undersigned agrees as follows:

ARTICLE 1
FORMATION AND OFFICES

1.1 Formation.

Pursuant to the Act (as hereinafter defined), the Members have formed a Delaware limited liability company effective upon the filing of the Certificate (as hereinafter defined) of the Company with the Secretary of State of Delaware. The Managing Member (as hereinafter defined) shall execute all amendments to the Certificate and do all filings, recordings and other acts as may be necessary or appropriate under the Act and consistent with this Agreement.

1.2 Principal Office.

The principal office of the Company shall be such place as the Managing Member may designate from time to time.

1.3 Registered Office and Registered Agent.

The location of the registered office and the name of the registered agent of the Company in the State of Delaware shall be as stated in the Certificate of the Company, or as the Managing Member may determine from time to time.

1.4 **Purpose of Company.**

The purpose for which the Company is organized shall be to engage in and conduct all and every kind of lawful business for which a limited liability company may be organized under the Act including, but not limited to, making and selling investments in corporations, partnerships and other entities that offer the Members the potential for short-term growth and/or long-term capital appreciation.

ARTICLE 2
DEFINITIONS

2.1 **Terms Defined Herein.**

As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

"Act" means the Delaware Limited Liability Company Act, as amended from time to time.

"Additional Member" shall have the meaning set forth in **Section 8.5**.

"Affiliate" of a specified person (the "Specified Person") means any person (a) who directly or indirectly controls, is controlled by, or is under common control with the Specified Person; (b) who owns or controls ten percent (10%) or more of the Specified Person's outstanding voting securities or equity interests; (c) of whom such Specified Person owns or controls ten percent (10%) or more of its outstanding voting securities or equity interests; (d) who is a director, partner, member, Managing Member, executive officer or trustee of the Specified Person; (e) in whom the Specified Person is a director, partner, member, Managing Member, executive officer or trustee; or (f) who has any relationship with the Specified Person by blood, marriage or adoption, not more remote than first cousin.

"Capital Contribution" means the total amount of cash, other property, services rendered or other valuable consideration contributed to the Company by a Member pursuant to the terms of this Agreement. Any reference in this Agreement to the Capital Contribution of a Member shall include the Capital Contribution made by any predecessor holder of the Interest of that Member. Capital Contributions shall be the exclusive Property of the Company.

"Certificate" means the Certificate of Formation of the Company filed with the Secretary of State of Delaware, as amended from time to time.

"Company" means Titanium Trading Partners LLC.

"Event of Withdrawal" means an event that causes a Person to cease to be a Member as provided in the Act, which events include, but are not limited to, (a) voluntary withdrawal as permitted by the Act, (b) assignment (in accordance with the provisions of this Agreement) of all of a Member's Interest, (c) the making of an assignment for the benefit of creditors, (d) being subject to a Bankruptcy (as defined in the Act), (e) appointment of a trustee

or receiver for the Member or for all or any substantial part of his/her property, (f) in the case of a Member who is a natural person (i) his/her death or (ii) the entry by a court of competent jurisdiction adjudicating him/her incompetent to manage his/her person or estate, (g) in the case of a Member that is a trust (i) the termination of the trust or (ii) a distribution of its entire Interest but not merely the substitution of a new trustee, (h) in the case of a Member that is a general or limited partnership (i) the dissolution and commencement of winding up of the partnership or (ii) a distribution of its entire Interest, (i) in the case of a Member that is a corporation (i) the filing of articles of dissolution or their equivalent for the corporation or (ii) a revocation of its charter or (iii) a distribution of its entire Interest, (j) in the case of a Member that is an estate the distribution of its entire Interest, or (k) in the case of a Member that is a limited liability company (i) the filing of articles of dissolution or termination or their equivalent for a limited liability company or (ii) a distribution of its entire Interest.

"Interest" means all of a Member's rights and interests in the Company in such Member's capacity as a Member, all as provided in the Certificate, this Agreement and the Act.

"Liquidation Proceeds" means all Property at the time of liquidation of the Company and all proceeds thereof.

"Majority in Interest" means any individual Member or group of Members holding an aggregate of more than fifty percent (50%) of the Percentage Interests held by all Members.

"Managing Member or Members" means any Person or Persons designated or elected from time to time as a Managing Member of the Company, acting in its capacity as a Managing Member.

"Net Cash Flow" means, with respect to any fiscal period, all operating and investment revenues during such period, all determined in accordance with the Company's method of accounting, less Operating Expenses. Distributions of Net Cash Flow shall not be considered a return of a Member's Capital Contribution unless expressly provided otherwise by the Managing Member.

"Notice" means a writing, containing the information required by this Agreement to be communicated to a party, personally delivered or sent by United States mail, postage prepaid, or sent by prepaid, overnight delivery or sent by facsimile to such party at the last known address or fax number, as the case may be, of such party as shown on the records of the Company, the date of mailing or sending thereof being deemed the date of receipt thereof.

"Operating Expenses" means, with respect to any fiscal period, (a) the amount of cash disbursed in such period in order to operate the Company and to pay expenses (including, without limitation, wages and other fees, taxes, insurance, repairs, and/or other costs and expenses) incident to the ownership or operation of the Property or the Company, (b) amounts paid to Members pursuant to compensation agreements between the Company and Members (collectively, the "Compensation Agreements"), and (c) amounts held as reserves to provide for working capital, future investments or such other purposes as the Managing Member may deem necessary or advisable.

"Percentage Interest" of a Member means, at any particular time, a ratio, expressed as a percentage, which is the ratio that the Capital Contribution of such Member bears to the total Capital Contributions of all the Members.

"Person" means any individual, partnership, limited liability company, corporation, cooperative, trust, estate or other entity.

"Property" means all properties and assets that the Company may own or otherwise have an interest in from time to time.

"Substitute Member" shall have the meaning set forth in **Section 8.3**.

"Transfer" means (a) when used as a verb, to give, sell, exchange, assign, transfer, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, and (b) when used as a noun, the nouns corresponding to such verbs, in either case voluntarily or involuntarily, by operation of law or otherwise.

ARTICLE 3
CAPITALIZATION OF THE COMPANY

3.1 Initial Capital Contributions.

The Members shall make an initial Capital Contribution to the capital of the Company in such amounts as are set forth on the attached **Schedule A**. Hereafter, the names, addresses and Capital Contributions of the Members and any Additional Members shall be reflected in the books and records of the Company.

3.2 Additional Capital Contributions.

(a) No Member shall be required to make any additional Capital Contributions except as otherwise provided in this Agreement. The Members may make additional Capital Contributions as authorized by the Managing Member or a Majority in Interest.

(b) If any additional Capital Contributions are made by Members but not in proportion to their respective Percentage Interests, the Percentage Interest of each Member shall be amended to equal the percentage resulting from dividing such Member's aggregate Capital Contributions (including initial and any additional Capital Contributions) by the aggregate Capital Contributions (including initial and any additional Capital Contributions) of all the Members.

3.3 Capital Withdrawal Rights and Interest.

Except as expressly provided in this Agreement or as specifically authorized by the Managing Member, no Member shall be entitled to withdraw or reduce such Member's Capital Contribution or to receive any distributions from the Company. In the event a Member withdraws from the Company in violation of this Agreement and the business of the Company is continued, the Member shall not be entitled to receive back his/her/its Capital Contribution and

shall not be entitled to receive any other type or form of payment from the Company; instead, such Member shall have the status of an assignee of an Interest pursuant to **Section 8.2(c)** hereof. No Member shall be entitled to receive or be credited with any interest on the balance of such Member's Capital Contribution at any time.

3.4 Members' Interest Certificates.

(a) The Company shall issue to each Member who owns an Interest a limited liability company certificate with respect to such Interest in the form approved by the Managing Member, evidencing the Interest held by such Member (each, an "Interest Certificate"). Each Interest Certificate shall be transferable only on the books of the Company, on surrender of the Interest Certificate by the registered holder, and until so transferred, the Company may treat the registered holder of an Interest Certificate as the owner of the Interest evidenced thereby for all purposes.

(b) In the event the Percentage Interests are amended as contemplated by this Agreement, the amended Percentage Interests shall be reflected on the books of the Company and the percentage interests set forth on previously issued Interest Certificates shall automatically adjust to correspond to such amended Percentage Interests. In such event, the Company shall notify the registered holders of Interest Certificates of the amendment and shall provide for new Interest Certificates reflecting the amended Percentage Interests to be issued in exchange for existing Interest Certificates.

(c) Nothing contained in this **Section 3.4** shall have an effect on the provisions regarding transfer of Interests and Substitute Members contained in **Article 8** hereof.

(d) Each unit of a Member's Interest of the Company as evidenced by an Interest Certificate shall be deemed to be a "security" under, and as defined in and otherwise governed by, Article 8 of the Uniform Commercial Code.

ARTICLE 4
CASH DISTRIBUTIONS; PROFITS AND LOSSES FOR TAX PURPOSES

4.1 Cash Distributions Prior to Dissolution.

(a) The Managing Member shall have the right to determine, in its reasonable discretion, the amount of Net Cash Flow, if any, of the Company to be distributed among the Members each year. Any Net Cash Flow of the Company to be distributed among the Members shall be distributed pro rata in proportion to their respective Percentage Interests.

(b) Notwithstanding anything to the contrary contained in this **Article 4**, to the extent that any Net Cash Flow represents proceeds from hazard insurance or condemnation proceeds, such amounts shall be held or disposed of in accordance with the requirements of any leases or outstanding mortgages affecting the Property with respect to which such hazard insurance or condemnation proceeds relate.

(c) Notwithstanding anything to the contrary contained herein, no distribution hereunder shall be permitted to the extent prohibited by the Act.

4.2 **Persons Entitled to Distributions.**

All distributions of Net Cash Flow to the Members under **Section 4.1** hereof shall be made to the Persons shown on the records of the Company to be Members of the Company, unless the transferor and transferee of any Interest otherwise agree in writing to a different distribution and such distribution is consented to in writing by the Managing Member.

4.3 **Reserves.**

The Managing Member, in its reasonable discretion, shall have the right to establish, maintain and expend reasonable reserves to provide for working capital, future investments, debt service and such other purposes as it may deem necessary or advisable.

4.4 **Allocation of Profits and Losses for Tax Purposes and Special Allocations.**

All Profits and Losses for Tax Purposes (as defined in **Schedule B**) of the Company and all special allocations of the Company shall be made in accordance with **Schedule B** attached hereto.

ARTICLE 5
MEMBERS' MEETINGS

5.1 **Meetings of Members; Place of Meetings.**

Meetings of the Members shall be held on an annual basis or more frequently as determined by the Managing Member. All meetings of the Members shall be held at the principal offices of the Company as set forth in **Section 1.2** hereof, or at such other place as shall be designated from time to time by the Managing Member and stated in the Notice of the meeting or in a duly executed waiver of the Notice thereof. Members may participate in a meeting of the Members by means of telephone conference or other similar communication equipment whereby all Members participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at the meeting.

5.2 **Quorum; Voting Requirement.**

The presence, in person or by proxy, of a majority of the Percentage Interests of the Members shall constitute a quorum for the transaction of business by the Members. The affirmative vote of a majority of the Percentage Interests of the Members shall constitute a valid decision of the Members, except where a larger vote is required by the Act, the Certificate or this Agreement.

5.3 Proxies.

At any meeting of the Members, every Member having the right to vote thereat shall be entitled to vote in person or by proxy appointed by an instrument in writing signed by such Member and bearing a date not more than one year prior to such meeting.

5.4 Action Without Meeting.

Any action required or permitted to be taken at any meeting of Members of the Company may be taken without a meeting, without prior notice and without a vote if a consent in writing setting forth the action so taken is signed by Members having not less than the minimum Percentage Interests that would be necessary to authorize or take such action at a meeting of the Members at which all of the Members entitled to vote therein were present and voted.

5.5 Notice.

Whenever Members are required or permitted to take any action at a meeting, written notice stating the place, day and hour of the meeting and indicating that it is being issued by or at the direction of the person or persons calling the meeting, and in the case of a special meeting, stating the purpose or purposes for which the meeting is called, shall be delivered personally or sent by first class mail not less than ten days nor more than sixty days before the date of the meeting, by or at the direction of the Managing Member, to each Member entitled to vote at such meeting.

5.6 Waiver of Notice.

When any Notice is required to be given to any Member hereunder, a waiver thereof in writing signed by the Member, whether before or after the time stated therein, shall be equivalent to the giving of such Notice. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him, her or it.

ARTICLE 6
MANAGEMENT AND CONTROL

6.1 Management.

Except as otherwise provided hereunder, the business and affairs of the Company shall be managed by the Managing Member. Unless and until changed by the Managing Member, the number of Managing Members shall be one. The Managing Member, or by affirmative vote of all the Managing Members if there is more than one Managing Member, shall have the power to change the number of Managing Members. Any action taken by the Managing Member shall be evidenced by a writing and filed with the records of the Company. Paragraphs 6.6 through 6.10 shall be applicable only upon the increase of the number of Managing Members to two or more.

6.2 Control.

The Managing Member shall be responsible for conducting the ordinary and usual business affairs of the Company. The acts of the Managing Member shall bind the Members and the Company when within the scope of the Managing Member's authority. The Managing Member shall have the exclusive right to manage the day-to-day business of the Company, and, in addition, is hereby authorized, for, in the name and on behalf of, the Company to take any and all actions set forth in this Section and Section 6.3 hereof. Any person dealing with the Company may conclusively rely on the authority and signature of the Managing Member to exercise such authority without determining that the Managing Member is acting in accordance with the terms of this Agreement. The Managing Member may delegate any of its responsibilities hereunder and may exercise any of the powers granted to it through its agents.

6.3 Authorized Acts.

Subject to the provisions of Section 6.4 hereof, the Managing Member for, in the name and on behalf of, the Company is hereby expressly authorized:

(i) To acquire by purchase, lease or acquire in any manner any security or securities (of any class or nature) of any Person and any real or personal property which may be necessary, convenient or incidental to the accomplishment of the purposes of the Company, including any subsequent or follow-on investments on such entities, and to make sales thereof.

(ii) To execute, sign, seal and deliver in the name and on behalf of the Company any deed, lease, mortgage, mortgage note, bill of sale, contract or other instrument purporting to convey, sell, lease or encumber the real or personal property of the Company.

(iii) To execute, sign, seal and deliver in the name and on behalf of the Company any and all agreements, contracts, leases, documents, certifications and instruments whatsoever which may be necessary, convenient or incidental to the accomplishment of the purposes of the Company.

(iv) To construct, operate, maintain, finance, improve, own, sell, dispose of, convey, Assign, mortgage or lease any real estate and any personal property necessary, convenient or incidental to the accomplishment of the purposes of the Company.

(v) To borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and to secure the same by mortgage, pledge or other lien on the assets of the Company.

(vi) To establish and maintain one or more bank accounts for the Company in such bank or banks having assets of at least $25,000,000 as the Managing Member may, from time to time, designate as depositaries of the funds of the Company.

(vii) To establish valuation principles and to periodically apply such principles

to the Company's investment portfolio.

(viii) To engage in any kind of activity and to perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of the purposes of the Company, provided such activities and contracts may be lawfully carried on or performed by a limited liability company under the Act.

(ix) To employ, when and if in its sole discretion the same is deemed necessary or advisable, brokers, managers, consultants, agents, accountants, lawyers, valuation managers or administrators, or other expert advisors, notwithstanding the fact that a party to this Agreement or an Affiliate thereof may have an interest in, or be one of, the brokers, managers, consultants, agents, accountants, lawyers, valuation managers or administrators, or other expert advisors.

(x) To sell or otherwise dispose of, at one time or otherwise, all or substantially all of the assets of the Company.

(xi) To take any and all actions (whether described above or not) and to engage in any kind of activity and to perform and carry out all functions of any kind necessary to, or in connection with, the business of the Company.

(xii) The Managing Member will have no duty to pursue any particular investment through the Company, even if the Company has available resources, and the Managing Member may pursue such investment opportunities individually, or through its Affiliates. The Managing Member or its Affiliates may invest with or without the Company directly in any investments that would be appropriate investments for the Company. The Managing Member or its Affiliates may make any of these investments with any other party the Managing Member finds appropriate. Neither the Managing Member, nor any of its Affiliates are required to present to the Company any particular investment opportunity which has come to its attention, even if such opportunity is within the investment objective and policies of the Company. The Company may be a co-investor with the Managing Member or its Affiliates.

6.4 Restrictions on Authority.

Without the vote of a majority of the Percentage Interests of the Members entitled to vote, the Managing Member shall not have the authority:

(i) to admit or remove a Person as a Managing Member, except as otherwise provided herein;

(ii) to commingle the Company's funds with those of any other Person, unless the funds of the Company are separately accounted for on the records relating to such commingled funds; or

(iii) to materially and adversely affect the interests of any Member.

6.5 Compensation.

Except as provided in this Agreement, no Member or Managing Member shall be entitled to compensation for any services such Member or Managing Member may render to or for the Company or be entitled to reimbursement of any general overhead expenses incurred by such Member or Managing Member. Compensation for the Managing Member's services shall be limited to the Interest set forth on Schedule A hereto. Each Managing Member and, where applicable, Members, shall be entitled to reimbursement from the Company for all reasonable direct out-of-pocket expenses incurred on behalf of the Company.

6.6 Regular Meetings.

Regular meetings of the Managing Members may be held without Notice at such times and places as shall from time to time be agreed to by the Managing Members. Any business may be transacted at a regular meeting.

6.7 Special Meetings.

Special meetings of the Managing Members may be called at any time by the Managing Members. The place may be as designated in the Notice.

6.8 Notice of Special Meetings.

For purposes of this **Section 6**, written or printed Notice of each special meeting of the Managing Members, stating the place, day and hour of the meeting and the purpose or purposes thereof, shall be mailed to each Managing Member at the Managing Member's residence or usual place of business at least three days before the day on which the meeting is to be held, or shall be sent by telecopy, or delivered personally, at least one day before the day on which the meeting is to be held. The Notice may be given by any Managing Member. When any Notice of a meeting is required to be given to any Managing Member hereunder, a waiver thereof in writing signed by the Managing Member, whether before, at, or after the time stated therein, shall be equivalent to the giving of such Notice. Furthermore, attendance by a Managing Member at any meeting of the Managing Members (including a telephonic meeting) shall constitute a waiver of any Notice required hereunder.

6.9 Meetings by Telephone or Similar Communication Equipment.

Unless otherwise restricted by the Certificate or this Agreement, each Managing Member may participate in a meeting of the Managing Members by means of telephone or similar communication equipment. Participation in a meeting in this manner shall constitute presence in person at such meeting.

6.10 Action Without a Meeting.

Any action required or permitted to be taken at any meeting of the Managing Members may be taken without a meeting if written consent thereto is signed by each of the Managing Members and such written consent is filed with the minutes of proceedings of the Managing Members.

6.11 **Authority to Execute Documents to be Filed Under the Act.**

Any Managing Member shall have the power and authority to execute, on behalf of the Company, any document filed with the Secretary of the State of Delaware pursuant to the terms of the Act.

6.12 **Term and Resignation.**

Any Managing Member may be removed at any time by a vote of 75% of the Percentage Interests of the remaining Members. In addition to the provisions of **Section 8.2(c)** hereof, any Managing Member may resign at any time upon ninety days of prior Notice to the Company. Such resignation shall take effect at the time specified therein or shall take effect upon receipt thereof by the Company if no time is specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Upon removal or resignation of a Managing Member, a replacement may be made by a vote of 75% of the Percentage Interests of the remaining Members.

ARTICLE 7
LIABILITY AND INDEMNIFICATION

7.1 **Liability of Members and Managing Member.**

(a) A Member shall only be liable to make the payment of the Member's Capital Contribution. No Member or Managing Member shall be liable for any obligations of the Company or any other Member or Managing Member, unless personally guaranteed by such Member or Managing Member pursuant to a separate document.

(b) No distribution of Net Cash Flow or other cash made to any Member shall be determined a return or withdrawal of a Capital Contribution unless so designated by the Managing Member in its sole and exclusive discretion. No Member, except as otherwise specifically provided in the Act, shall be obligated to pay any distribution to or for the account of the Company or any creditor of the Company.

7.2 **Indemnification.**

The Managing Member, any officers of the Company appointed by the Managing Member and their Affiliates (individually and collectively, an "Indemnitee") shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, expenses (including legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Indemnitee may be involved, or threatened to be involved, as a party or otherwise by reason of such Indemnitee's status, which relates to or arises out of the Company, its assets, business or affairs, if in each of the foregoing cases (i) the Indemnitee acted in good faith and in a manner such Indemnitee believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe such Indemnitee's conduct was unlawful, and (ii) the Indemnitee's conduct did not constitute gross negligence or willful or wanton misconduct. The termination of

any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that the Indemnitee acted in a manner contrary to that specified in (i) or (ii) above. Any payment made due to indemnification pursuant to this **Article 7** shall be made only out of the assets of the Company and no Managing Member or Member shall have any personal liability on account thereof.

7.3 Expenses.

Expenses (including reasonable legal fees and expenses) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding described in **Section 7.2** hereof may, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding, in the discretion of the Managing Member, upon receipt by the Company of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this **Article 7.**

7.4 Non-Exclusivity.

The indemnification and advancement of expenses set forth in this **Article 7** shall not be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, the Act, the Certificate, this Agreement, any other agreement, a vote of Members, a policy of insurance or otherwise, and shall not limit in any way any right which the Company may have to make additional indemnifications with respect to the same or different persons or classes of persons, as determined by the Managing Member. The indemnification and advancement of expenses set forth in this **Article 7** shall continue as to an Indemnitee who has ceased to be a named Indemnitee and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of such Indemnitee.

7.5 Insurance.

The Company may purchase and maintain insurance on behalf of the Indemnitees against any liability asserted against them and incurred by them in such capacity, or arising out of their status as Indemnitees, whether or not the Company would have the power to indemnify them against such liability under this **Article 7**.

ARTICLE 8
TRANSFERS OF INTERESTS

8.1 General Restrictions.

No Member may Transfer all or any part of such Member's Interest, except as provided in this Agreement. Any purported Transfer of an Interest or a portion thereof in violation of the terms of this Agreement shall be null and void and of no effect. A permitted Transfer shall be effective as of the date specified in the instruments relating thereto. Any transferee desiring to make a further Transfer shall become subject to all the provisions of this **Article 8** to the same extent and in the same manner as any Member desiring to make any Transfer.

8.2 **Permitted Transfers.**

(a) Each Member shall have the right to Transfer (but not to substitute the transferee as a Substitute Member in such Member's place, except in accordance with **Section 8.3** hereof), by a written instrument, all or any part of such Member's Interest, if, and only if (except for Transfers upon death), (i) the Managing Member has consented in writing to such Transfer or (ii) if a Managing Member or Affiliate of a Managing Member is the transferor and at least a majority of the Percentage Interests of the non-transferring Members have consented in writing to such Transfer.

(b) Unless and until admitted as a Substitute Member pursuant to **Section 8.3** hereof, a transferee of a Member's Interest in whole or in part shall be an assignee with respect to such transferred Interest and shall not be entitled to participate in the management of the business and affairs of the Company or to become or to exercise the rights of a Member, including the right to vote, the right to require any information or accounting of the Company's business or the right to inspect the Company's books and records. Such transferee shall only be entitled to receive, to the extent of the Interest transferred to such transferee, the share of distributions and profits, including distributions representing the return of Capital Contributions, to which the transferor would otherwise be entitled with respect to the transferred Interest. The transferor shall have the right to vote such transferred Interest until the transferee is admitted to the Company as a Substitute Member with respect to the transferred Interest.

(c) Except as otherwise provided in this **Article 8**, the Managing Member's interest as Managing Member may not be transferred, assigned or otherwise disposed of. Any attempted disposition by the Managing Member of its Managing Member interest shall be void and of no effect. Furthermore, any transfer by a Managing Member of its entire Percentage Interest shall be deemed an immediate resignation of such Managing Member.

8.3 **Substitute Members.**

No transferee of all or part of a Member's Interest shall become a substitute member ("Substitute Member") in place of the transferor unless and until:

(a) the transferee has executed an instrument accepting and adopting the terms and provisions of the Certificate and this Agreement;

(b) the transferee has caused to be paid all reasonable expenses of the Company in connection with the admission of the transferee as a Substitute Member;

(c) if the transferor is not a Managing Member, the Managing Member has consented (which consent may be unreasonably or arbitrarily withheld) in writing to such transferee becoming a Substitute Member; and

(d) if the transferor is a Managing Member or Affiliate of a Managing Member, at least a majority of the Percentage Interests of the non-transferring Members, have consented (which consent may be unreasonably or arbitrarily withheld) in writing to such transferee becoming a Substitute Member.

Upon satisfaction of all the foregoing conditions with respect to a particular transferee, the Managing Member shall cause the books and records of the Company to reflect the admission of the transferee as a Substitute Member to the extent of the transferred Interest held by the transferee.

8.4 Effect of Admission as a Substitute Member.

A transferee who has become a Substitute Member has, to the extent of the transferred Interest, all the rights, powers and benefits of and is subject to the restrictions and liabilities of a Member under the Certificate, this Agreement and the Act. Upon admission of a transferee as a Substitute Member, the transferor of the Interest so held by the Substitute Member shall cease to be a Member of the Company to the extent of such transferred Interest.

8.5 Additional Members.

Any Person acceptable to the Managing Member may become an additional member ("Additional Member") of the Company for such consideration as the Managing Member shall determine, provided that such Additional Member complies with all the requirements of a transferee under **Sections 8.3(a) and (b)** hereof. No Additional Member shall be entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company.

ARTICLE 9
DISSOLUTION AND TERMINATION

9.1 Events Causing Dissolution.

The Company shall be dissolved upon the first to occur of the following events:

(a) The vote of all the Managing Members to dissolve;

(b) The sale or other disposition of substantially all of the assets of the Company and the receipt and distribution of all the proceeds therefrom;

(c) The death, incapacity, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event which, pursuant to the Act, terminates the continued membership of a Member in the Company, unless within one-hundred and eighty days after such event the business of the Company is continued by the consent (which consent may be unreasonably or arbitrarily withheld) of a Majority in Interest of the remaining Members;

(d) Upon an Event of Withdrawal of a Member or upon the occurrence of any other event which terminates the continued membership of a Member in the Company, if within 90 days after such event a Majority in Interest of the remaining Members agree to dissolve the Company; or

(e) Except as otherwise agreed upon in this Agreement, any other event causing a dissolution of the Company under the provisions of the Act.

9.2 Notices to Secretary of State.

(a) Within ninety days following the dissolution and the commencement of the winding up of the Company, the Company shall, as appropriate, file a Certificate of Cancellation with the Secretary of State of Delaware.

9.3 Cash Distributions Upon Dissolution.

Upon the dissolution of the Company as a result of the occurrence of any of the events set forth in **Section 9.1** hereof, the Managing Member shall proceed to wind up the affairs of and liquidate the Company, and the Liquidation Proceeds shall be applied and distributed in the following order of priority:

(a) First, to the payment of debts and liabilities of the Company in the order of priority as provided by law (including any loans or advances that may have been made by any of the Members to the Company) and the expenses of liquidation.

(b) Second, to the establishment of any reserve which the Managing Member may deem reasonably necessary for any contingent, conditional or unasserted claims or obligations of the Company. Such reserve may be paid over by the Managing Member to an escrow agent to be held for disbursement in payment of any of the aforementioned liabilities and, at the expiration of such period as shall be deemed advisable by the Managing Member, for distribution of the balance in the manner provided in this **Article 9**.

(c) Finally, the remaining balance of the Liquidation Proceeds, if any, to the Members, first for the return of their contribution, to the extent not previously returned, and second pro rata in proportion to their respective Percentage Interests.

9.4 In-Kind.

Notwithstanding the foregoing, in the event that the Managing Member shall determine that an immediate sale of part of or all of the Property would cause undue loss to the Members, or the Managing Member determines that it would be in the best interest of the Members to distribute the Property to the Members in-kind (which distributions do not, as to the in-kind portions, have to be in the same proportions as they would be if cash were distributed, but all such in-kind distributions shall be equalized, to the extent necessary, with cash), then the Managing Member may either defer liquidation of, and withhold from distribution for a reasonable time, any of the Property except that necessary to satisfy the Company's debts and obligations, or distribute the Property to the Members in-kind.

ARTICLE 10
ACCOUNTING AND BANK ACCOUNTS

10.1 Fiscal Year and Accounting Method.

The fiscal year and taxable year of the Company shall be as designated by the Managing Member in accordance with the Act. The Managing Member shall also determine the accounting method to be used by the Company.

10.2 Books and Records.

(a) The books and records of the Company shall be maintained at its principal offices as set forth in **Section 1.2** hereof.

(b) Each Member (or such Member's designated representative) shall have the right during ordinary business hours and upon reasonable Notice to the Managing Member to inspect and copy (at such Member's own expense) the books and records of the Company.

(c) Proper and complete records and books of account shall be kept by the Managing Member in which shall be entered all transactions and other matters relative to the Company's business. The Company's books and records shall be prepared in accordance with generally accepted accounting principles, consistently applied.

10.3 Tax Returns and Elections.

(a) The Company shall cause to be prepared and timely filed all federal, state and local income tax returns or other returns or statements required by applicable law.

(b) As soon as reasonably practicable after the end of each fiscal year of the Company, the Company shall cause to be prepared and delivered to each Member all information with respect to the Company necessary for the Member's federal and state income tax returns.

10.4 Bank Accounts.

All funds of the Company shall be deposited in a separate bank, money market or similar account(s) approved by the Managing Member and in the Company's name. Withdrawals therefrom shall be made only by the Managing Member or persons authorized to do so by the Managing Member.

ARTICLE 11
MISCELLANEOUS

11.1 Title to Property.

Title to the Property shall be held in the name of the Company. No Member shall individually have any ownership interest or rights in the Property except indirectly by virtue of such Member's ownership of an Interest. No Member shall have any right to seek or obtain a

partition of any of the assets of the Company, nor shall any Member have the right to any specific assets of the Company upon the liquidation of, or any distribution from, the Company.

11.2 Waiver of Default.

No consent or waiver, express or implied, by the Company or a Member, with respect to any breach or default by the Company or a Member hereunder, shall be deemed or construed to be a consent or waiver with respect to any other breach or default by any party of the same provision or any other provision of this Agreement. Failure on the part of the Company or a Member to complain of any act or failure to act by the Company or a Member or to declare such party in default shall not be deemed to constitute a waiver by the Company or the Member of any rights hereunder.

11.3 Amendment.

This Agreement shall not be altered, modified or changed except by an amendment approved by at least a majority of the Percentage Interests of the Members.

11.4 No Third Party Rights.

None of the provisions contained in this Agreement shall be for the benefit of or enforceable by any third parties, including creditors of the Company. The parties to this Agreement expressly retain any and all rights to amend this Agreement as herein provided, notwithstanding any interest in this Agreement or in any party to this Agreement held by any other Person.

11.5 Severability.

In the event any provision of this Agreement is held to be illegal, invalid or unenforceable to any extent, the legality, validity and enforceability of the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect and shall be enforced to the greatest extent permitted by law.

11.6 Nature of Interest in the Company.

A Member's Interest shall be personal property for all purposes.

11.7 Binding Agreement.

Subject to the restrictions on the disposition of Interests herein contained, the provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

11.8 Headings.

The headings of this Agreement are for convenience only and shall not be considered in construing or interpreting any of the terms or provisions hereof.

11.9 Word Meanings.

The words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural, and vice versa, unless the context otherwise requires.

11.10 Counterparts.

This Agreement may be executed in several counterparts, all of which together shall constitute one agreement binding on all parties, notwithstanding that all the parties have not signed the same counterpart.

11.11 Entire Agreement.

This Agreement contains the entire operating agreement of the Company and supersedes all prior writings or agreements with respect to the subject matter hereof.

11.12 Representations.

The Members executing this Agreement below and any Additional or Substitute Member(s) represent and warrant by signing this Agreement that the Interest acquired by him/her/it was acquired for his/her/its own account, for investment only, and not for the benefit of any other Person, and not for resale to any other Person or future distribution, and that he/she/it has relied solely on the advice of his/her/its personal tax, investment or other advisor(s) in making his/her/its investment decision. The Managing Member has not made and hereby makes no warranties or representations other than those set forth in this Agreement.

11.13 Governing Law.

This Agreement shall be construed according to and governed by the laws of the State of Delaware.

SCHEDULE A - MEMBERS

Name	Initial Capital Contribution	Percentage Interest
Barnville Limited	Portfolio Shares as described on attached **Schedule C**	99%
EAICS	Management and consulting services as described in the letter attached as **Exhibit I**	1%
		100%

SCHEDULE B - TAXES

1. **Definitions.**

"Capital Account" means a separate account established by the Company and maintained for each Member in accordance with this **Schedule B**.

"Code" means the Internal Revenue Code of 1986, as amended.

"Member's Share of Company Minimum Gain" means an amount determined (i) in accordance with rules applicable to partnerships in Treasury Regulations Section 1.704-2(g) with respect to a nonrecourse liability of the Company in which no Member bears the economic risk of loss and (ii) in accordance with rules applicable to partnerships in Treasury Regulations Section 1.704-2(i) with respect to a nonrecourse liability of the Company in which any Member bears any portion of the economic risk of loss.

"Minimum Gain" means the amount of gain, if any, as set forth in rules applicable to partnerships in Treasury Regulations Section 1.704-2(d) that would be realized by the Company if it disposed of (in a taxable transaction) property subject to a nonrecourse liability of such Company, in full satisfaction of such liability (and for no other consideration).

"Profits and Losses For Tax Purposes" means, for accounting and tax purposes, the various items with respect to partnerships set forth in Section 702(a) of the Code and all applicable regulations, or any successor law, and shall include, but not be limited to, items such as capital gain or loss, tax preferences, credits, depreciation, other deductions and depreciation recapture.

"Treasury Regulations" means the regulations promulgated by the Treasury Department with respect to the Code, as such regulations are amended from time to time, or corresponding provisions of future regulations.

2. **Maintenance of Capital Accounts.**

The Company shall maintain for each Member a separate account ("Capital Account") in accordance with the rules applicable to partnerships in Treasury Regulations 1.704-1(b)(2)(iv) or any successor Treasury Regulations which by their terms would be applicable to the Company. No Member shall be entitled to receive or be credited with any interest on the balance of such Member's Capital Account at any time.

3. **Allocation of Profits and Losses For Tax Purposes.**

Except as otherwise provided in **Section 4 of this Schedule B**, all Profits and Losses for Tax Purposes of the Company shall be allocated among the Members in accordance with their respective Percentage Interests.

4. **Special Allocations.**

(a) Notwithstanding any other provisions of this Agreement to the contrary, if the amount of any Minimum Gain at the end of any taxable year is less than the amount of such Minimum Gain at the beginning of such taxable year, there shall be allocated to each Member gross income or gain (in respect of the current taxable year and any future taxable year) in an amount equal to such Member's share of the net decrease in Minimum Gain during such year in accordance with Treasury Regulations Section 1.704-2(f). Such allocation of gross income and gain shall be made prior to any other allocation of income, gain, loss, deduction or Section 705(a)(2)(B) expenditure for such year. Any such allocation of gross income or gain pursuant to this Section shall be taken into account, to the extent feasible, in computing subsequent allocations of income, gain, loss, deduction or credit of the Company so that the net amount of all items allocated to each Member pursuant to this paragraph shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this paragraph if the allocations made pursuant to the first sentence of this paragraph had not occurred. This provision is intended to be a minimum gain chargeback as described in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistent therewith.

(b) Notwithstanding any other provisions of this Agreement to the contrary, except as provided in **Section 4(a) of this Schedule B**, if there is a net decrease (as determined in accordance with Treasury Regulations Section 1.704-2(i)(3)) during a taxable year in Minimum Gain attributable to a non-recourse debt of the Company for which any Member bears the economic risk of loss (as determined in accordance with Treasury Regulations Section 1.704-2(b)(4)), then any Member with a share of the Minimum Gain (as determined in accordance with Treasury Regulations Section 1.704-2(i)(5)) attributable to such debt (determined at the beginning of such taxable year) shall be allocated in accordance with Treasury Regulation Sections 1.704-2(i)(4) items of Company income and gain for such taxable year (and, if necessary, for subsequent years) in an amount equal to such Member's share of the net decrease in the Minimum Gain attributable to such Member in accordance with Treasury Regulation Sections 1.704-2(i). Any allocations of items of gross income or gain pursuant to this paragraph shall not duplicate any allocations of gross income or gain pursuant to **Section 4(a) of this Schedule B** and shall be taken into account, to the extent feasible, in computing subsequent allocations of the Company, so that the net amount of all items allocated to each Member pursuant to this paragraph shall, to the extent possible, be equal to the net amount that would have been allocated to each Member pursuant to the provisions of this paragraph if the allocations made pursuant to the first sentence of this paragraph had not occurred. This provision is intended to be a partner minimum gain chargeback as described in Treasury Regulation Sections 1.704-2(i)(4) and shall be interpreted consistent therewith.

(c) Notwithstanding any other provisions of this Agreement to the contrary, except as provided in **Sections 4(a) and 4(b) of this Schedule B**, if any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) that reduces any Member's Capital Account below zero or increases the negative balance in such Member's Capital Account (taking into account such Member's deficit restoration obligation), gross income and gain shall be allocated to such

Member in an amount and manner sufficient to eliminate any negative balance in such Member's Capital Account (taking into account such Member's deficit restoration obligation) created by such adjustments, allocations or distributions as quickly as possible in accordance with Treasury Regulation Sections 1.704-1(b)(2)(ii)(d). Any such allocation of gross income or gain pursuant to this paragraph shall be in proportion with such negative Capital Accounts of the Members. Any allocations of items of gross income or gain pursuant to this paragraph shall not duplicate any allocations of gross income or gain made pursuant to **Section 4(a) or 4(b) of this Schedule B** and shall be taken into account, to the extent feasible, in computing subsequent allocations of income, gain, loss, deduction or credit, so that the net amount of all items allocated to each Member pursuant to this paragraph shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this paragraph if such adjustments, allocations or distributions had not occurred. This provision is intended to be a qualified income offset as described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistent therewith.

(d) Any item of Company loss, deduction or Section 705(a)(2)(B) expenditure that is attributable to a non-recourse debt of the Company for which any Member bears the economic risk of loss (as determined in accordance with rules applicable to partnerships in Treasury Regulations Section 1.704-2(b)(4)) shall be allocated to such Member in accordance with Treasury Regulations Section 1.704-2(i).

(e) In accordance with Section 704(c) and the Treasury Regulations thereunder, if property is contributed to the Company and the fair market value of such property on the date of its contribution differs from the adjusted tax basis of such property, any income, gain, loss and deduction with respect to such property shall, solely for tax purposes, be allocated among the Members so as to take into account any variation between the adjusted tax basis to the Company of such property for federal income tax purposes and the fair market value of such property on the date of contribution to the Company. Such allocations shall be made using a reasonable method that is consistent with the purpose of Section 704(c) of the Code pursuant to Treasury Regulations Section 1.704-3.

5. **Persons Entitled to Allocations.**

With respect to any period in which a transferee of the Interest of a Member is first entitled to a share of the Profits and Losses For Tax Purposes, the Company shall, with respect to such Profits and Losses For Tax Purposes, allocate such items among the Persons who were entitled to such items on a basis consistent with the provisions of the Code and the Treasury Regulations.

6. **Tax Matters Member.**

Until otherwise determined by a Majority in Interest, the Managing Member is hereby designated as the Company's "Tax Matters Member," which shall have the same meaning as "tax matters partner" under the Code. The Tax Matters Member is specifically authorized to exercise all of the rights and powers granted to the Tax Matters Member under the Code and in such capacity is hereby authorized and empowered to act for and represent the Company and each of the Members before the Internal Revenue Service and any court with respect to any

auditor examination of any Company tax return and before any court and to retain such experts (including, without limitation, outside counsel or accountants) as deemed necessary.

7. Negative Balance.

No Member with a negative balance in such Member's Capital Account shall have any obligation to the Company or any other Member to restore said negative balance to zero.

SCHEDULE C - PORTFOLIO SHARES

The Portfolio Shares, comprised of the Portfolio A Shares and the Portfolio B Shares listed below, were received by the Company as the initial Capital Contribution of Barnville Limited, an initial Member of the Company ("Barnville"), owning a 99% Membership Interest as a result of the Capital Contribution. The Portfolio A Shares are subject to the terms of a stock lending agreement dated December 28, 1999 between Barnville and Jackstones Limited ("Jackstones") (the "Stock Loan Agreement") that provides for, amongst other things, the redelivery of the Portfolio Shares by Jackstones to Barnville upon written demand to that effect. The Company, Barnville and Jackstones have entered into an assignment of rights agreement as of the date of the Operating Agreement hereof pursuant to which Barnville has assigned some of its rights and obligations under the Stock Loan Agreement to the Company. The Portfolio B Shares are free from any liens, charges, encumbrances and any other security or quasi security interests.

By its signature to the Operating Agreement, Barnville warrants and undertakes to the Company on a continuing basis that it is duly authorised and empowered to contribute, and is not restricted under the terms of its constitution or in any other manner from contributing, the Portfolio Shares for its Interest in the Company as contemplated by the Operating Agreement, provided that the Company is likewise duly authorised and empowered to accept the contribution, and is not restricted under the terms of its Certificate of Formation or in any other manner from accepting the contribution of the Portfolio Shares in exchange for Barnville's Interest in the Company.

Portfolio A Shares

Share Name	Number of Shares	Relevant Stock Lending Agreement	Value as of Stock Lending Date	Value as of Effective Date [USD]
Adobe Systems Inc.	1,728,000	06 Jun 00	99,954,000	43,721,510
Automatic Data Processing	1,733,000	06 Jun 00	99,972,438	80,644,116
Applied Materials Inc	700,000	06 Jun 00	62,518,750	20,723,990
AOL Time Warner	1,000,000	03 Jan 00	82,750,000	32,571,500
AOL Time Warner	1,649,485	28 Feb 00	100,000,028	53,726,202
Biogen Inc.	953,516	28 Feb 00	99,999,991	50,687,385
Clear Channel Communications	973,596	03 Jan 00	85,433,049	37,752,256

Dell Computer Corporation	2,238,000	06 Jun 00	100,010,625	41,638,215
Ebay Inc.	1,538,462	28 Dec 99	107,592,340	71,808,940
Ebay Inc.	250,000	28 Feb 00	18,132,812	11,668,950
Ebay Inc.	1,393,000	06 Jun 00	100,034,812	65,019,389
Nokia Corporation	900,000	06 Jun 00	50,062,500	15,179,220
Oracle Corporation	900,000	06 Jun 00	34,678,125	11,087,190
Sprint Corporation (PCS Group)	1,756,000	06 Jun 00	99,982,250	44,368,853
Qwest Communications International Inc.	2,339,181	03 Jan 00	98,526,304	46,691,223
QualComm Inc.	575,000	28 Feb 00	82,368,750	27,141,265
Xilinx Inc	1,000,000	28 Feb 00	70,250,000	25,756,400
Totals	**21,627,240**		**1,392,266,774**	**680,186,604**

Portfolio B Shares

Share Name	**Number of Shares**	**Value as of Effective Date [USD]**
Microsoft	745,500	38,866,717
Intel Corp	1,150,000	24,706,600
Cisco Systems, Inc.	2,000,000	25,101,200
Totals	**3,895,500**	**88,674,517**

Total Value of Portfolio Shares as of Effective Date: $768,861,121

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MEMBERS

By: _____
Barnville Limited

By: _____
European American Investment
Corporate Services Limited

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MEMBERS

By: _____
Barnville Limited

By: _____
European American Investment
Corporate Services Limited

EXHIBIT I

LETTER OF CONTRIBUTION
OF MANAGEMENT AND CONSULTING SERVICES

EURAM CORPORATE SERVICES

CREATIVE FINANCIAL SOLUTIONS

Titanium Trading Partners LLC
19 Mount Havelock
Douglas
Isle of Man
IM1 2 QG

21 September 2001

Dear Sirs

In connection with the formation of Titanium Trading Partners LLC (the "Company"), European American Investment Corporate Services Limited (the "Member") and Barnville Limited will execute an operating agreement (the "Operating Agreement"). The Member wishes to contribute to the Company its management and consulting services for the Company and to receive the Membership Interest (as set forth on Schedule A to the Operating Agreement) in the Company.

The Member hereby agrees to make an initial Capital Contribution (as defined in the Operating Agreement) of the Member's management and consulting services as reasonably necessary or desirable for the benefit of the Company. In accordance with the terms of the Operating Agreement, such Capital Contribution shall entitle the Member to all right, title and interest of a Member in the Company by virtue of a 1% Membership Interest in the Company. The Member shall not be entitled to any other compensation from the Company in exchange for the contribution of its services as provided herein.

EUROPEAN AMERICAN INVESTMENT
CORPORATE SERVICES LIMITED

By: _____
Name: RAJAN PURI
Title: DIRECTOR

AGREED:

BARNVILLE LIMITED

By: _____
Name: PAUL MOORE
Title: DIRECTOR

OFFICER'S CLOSING CERTIFICATE FOR

BARNVILLE LIMITED

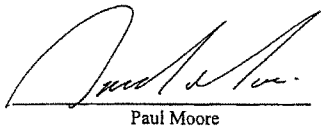
The undersigned hereby certifies that he is a duly appointed and acting Director of Barnville Limited, a company incorporated and registered in the Isle of Man (the "Company"), and that he is familiar with the business and affairs of the Company and has knowledge with respect to the matters referenced below.

The undersigned is submitting this Certificate pursuant to Section 2.2(b)(ii) of that certain Membership Interest Purchase Agreement ("Agreement"), dated as of September 24, 2001, by and between the Company and Titanium Acquisition Corporation, a Delaware corporation. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in the Agreement.

1. All of the representations and warranties made by the Company in the Agreement were true and correct as of the date of the Agreement and are true and correct in all material respects as of the date hereof with the same effect as if made as of the date hereof.

2. The Company has performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 24th day of September, 2001.



Paul Moore

OFFICER'S CLOSING CERTIFICATE FOR

EUROPEAN AMERICAN INVESTMENT CORPORATE SERVICES LIMITED

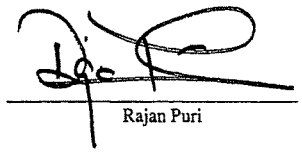
The undersigned hereby certifies that he is a duly appointed and acting Director of European American Investment Corporate Services Limited, a company incorporated and registered in England (the "Company"), and that he is familiar with the business and affairs of the Company and has knowledge with respect to the matters referenced below.

The undersigned is submitting this Certificate pursuant to Section 2.2(b)(ii) of that certain Membership Interest Purchase Agreement ("Agreement"), dated as of September 24, 2001, by and between the Company and Cheryl Saban. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in the Agreement.

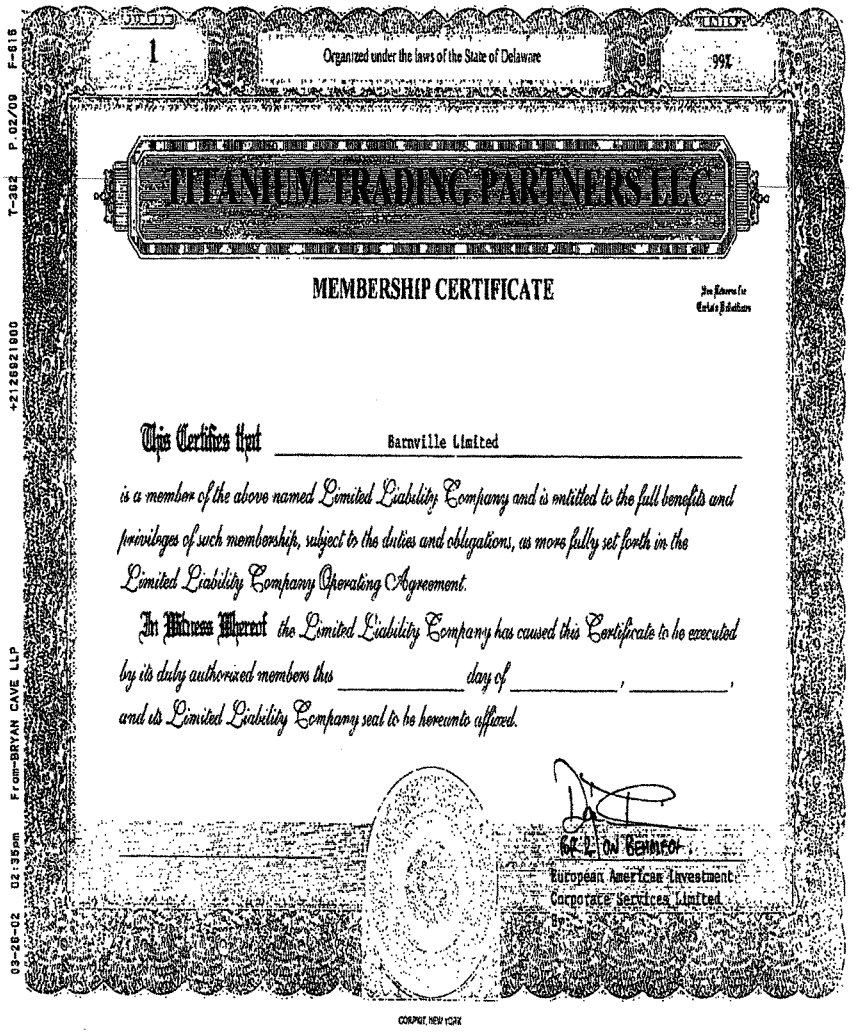
1. All of the representations and warranties made by the Company in the Agreement were true and correct as of the date of the Agreement and are true and correct in all material respects as of the date hereof with the same effect as if made as of the date hereof.

2. The Company has performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 24th of September, 2001.



Rajan Puri



1

Organized under the laws of the State of Delaware

99%

TITANIUM TRADING PARTNERS LLC

MEMBERSHIP CERTIFICATE

This Certifies that Barnville Limited

is a member of the above named Limited Liability Company and is entitled to the full benefits and privileges of such membership, subject to the duties and obligations, as more fully set forth in the Limited Liability Company Operating Agreement.

In Witness Whereof the Limited Liability Company has caused this Certificate to be executed by its duly authorized members this _____ day of _____, _____, and its Limited Liability Company seal to be hereunto affixed.

_____

FOR AND ON BEHALF OF:
European American Investment
Corporate Services Limited

For value received, _____ hereby sells, assigns and transfers

_____

_____

unto _____ the Membership Interest represented by the within certificate, and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said Membership Interest on the books of the within-named Limited Liability Company with full power of substitution in the premises.

Dated _____

In the presence of

_____

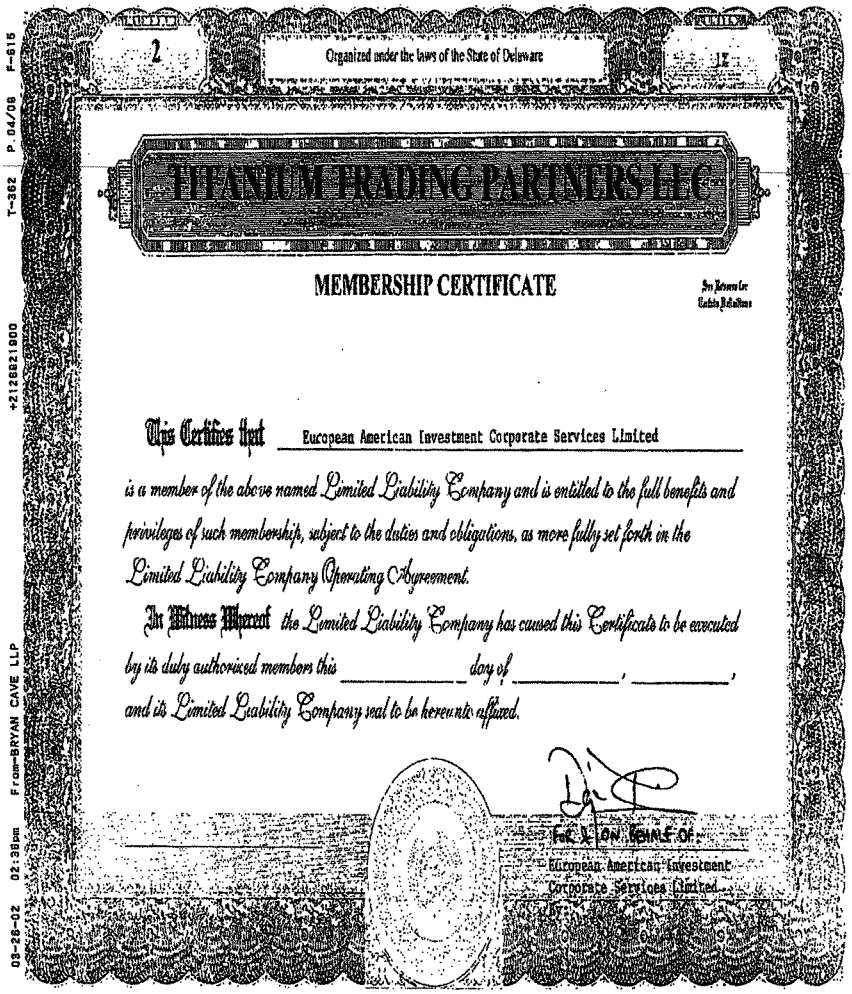
_____

_____ Member

_____ Member

THE VOTING, TRANSFER, AND PERCENTAGE INTEREST OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF AN OPERATING AGREEMENT, AS AMENDED FROM TIME TO TIME, AMONG THE ISSUER OF SUCH SECURITIES AND CERTAIN HOLDERS OF THE OUTSTANDING SECURITIES OF SUCH ISSUER. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE MANAGING MEMBER OF SUCH ISSUER.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT OR LAWS.



2

Organized under the laws of the State of Delaware

IX

TITANIUM TRADING PARTNERS LLC

MEMBERSHIP CERTIFICATE

In Witness for Limited Liabilities

This Certifies that European American Investment Corporate Services Limited

is a member of the above named Limited Liability Company and is entitled to the full benefits and privileges of such membership, subject to the duties and obligations, as more fully set forth in the Limited Liability Company Operating Agreement.

In Witness Whereof the Limited Liability Company has caused this Certificate to be executed by its duly authorized members this _____ day of _____, _____, and its Limited Liability Company seal to be hereunto affixed.

FOR & ON BEHALF OF:
European American Investment
Corporate Services Limited

COMPAQ, NEW YORK

PSI-QUEL 26676

For value received, _____ hereby sells, assigns and transfers

unto _____ the Membership Interest represented by the within certificate, and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said Membership Interest on the books of the within-named Limited Liability Company, with full power of substitution in the premises.

Dated _____

In the presence of

_____
Member

_____
Member

THE VOTING, TRANSFER, AND PERCENTAGE INTEREST OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF AN OPERATING AGREEMENT, AS AMENDED FROM TIME TO TIME, AMONG THE ISSUER OF SUCH SECURITIES AND CERTAIN HOLDERS OF THE OUTSTANDING SECURITIES OF SUCH ISSUER. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE MANAGING MEMBER OF SUCH ISSUER.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT OR LAWS.

ASSIGNMENT OF RIGHTS AGREEMENT

THIS ASSIGNMENT OF RIGHTS AGREEMENT (the "Agreement") is made as of the 21st day of September 2001.

BETWEEN:

(1) Barnville Limited, a company organised under the laws of the Isle of Man (the "Original Party");

(2) Titanium Trading Partners LLC, a limited liability company organised under the laws of Delaware (the "New Party"); and

(3) Jackstones Limited, a company organised under the laws of the Isle of Man (the "Remaining Party")

WHEREAS:-

(A) The Original Party lent to the Remaining Party a number of shares including the Contribution Shares (as defined below) under certain stock lending transactions dated 28 December 1999, 3 January 2000, 10 January 2000, 28 February 2000 and 6 June 2000 which were made pursuant to a stock lending agreement dated 28 December 1999 (the "Stock Lending Agreement").

(B) The Original Party and the New Party have agreed to the Original Party contributing the Contribution Shares and a number of other shares not subject to the Stock Lending Agreement to the New Party in exchange for 99% of the interest in the New Party but, rather than recalling the Contribution Shares from the Remaining Party in accordance with the Stock Lending Agreement and then delivering them to the New Party, the Original Party and the New Party have agreed that such contribution can be effected by the Original Party transferring to the New Party all of its rights and obligations under the Stock Lending Agreement in so far as they relate to the Contribution Shares and otherwise, other than the Cash Collateral Obligation (as defined below).

In consideration of the mutual promises and releases contained herein, it is hereby agreed as follows: -

1. In this Agreement, capitalised terms not otherwise defined shall bear the following meanings:

   "Cash Collateral Obligation" means the obligation of the Original Party under the Stock Lending Agreement prior to the execution of this Agreement to repay to the Remaining Party the cash collateral amount allocable to the Contribution Shares (the **"Cash Collateral Amount"),** such amount having originally been transferred by the Remaining Party to the Original Party at the inception of the applicable stock lending transactions.

"Contribution Share(s)" means the shares set out in the Schedule hereto.

"Effective Date" means the date of this Agreement.

2. With effect on and from the Effective Date:-

(a) the New Party undertakes to the Remaining Party to perform all the obligations due to be performed by the Original Party under the Stock Lending Agreement insofar as they relate to the Contribution Shares as if it were an original party thereto, save in relation to the Cash Collateral Obligation which shall remain an obligation of the Original Party;

(b) the Remaining Party hereby releases the Original Party from its obligations and liabilities under the Stock Lending Agreement insofar as they relate to the Contribution Shares save in relation to the Cash Collateral Obligation which shall remain an obligation of the Original Party;

(c) the Remaining Party hereby undertakes to the New Party to perform and assumes obligations and liabilities in favour of the New Party identical to such of its obligations and liabilities as would arise in favour of the Original Party, including, but not limited to, the obligation of the Remaining Party to redeliver Equivalent Securities to the New Party pursuant to Clause 6 of the Stock Lending Agreement, other than those excepted in Clause 2(d) below, under the Stock Lending Agreement insofar as they relate to the Contribution Shares; and

(d) the Original Party releases the Remaining Party from its obligations and liabilities to the Original Party under the Stock Lending Agreement insofar as they relate to the Contribution Shares, except those in relation to Clause 10 which shall remain in place as between the Original Party and the Remaining Party, and the Original Party hereby relinquishes all of its other rights, interests, duties, claims and benefits thereunder.

3. In consideration of the Original Party retaining the Cash Collateral Amount, the Original Party will, in the event that the Remaining Party fails to redeliver the Contribution Shares to the New Party in accordance with the Stock Lending Agreement, pay on demand to the New Party the Cash Collateral Amount (or the relevant portion thereof), whereupon the New Party shall assume the Cash Collateral Obligation (or part thereof) as if it were an obligation originally assigned to it hereunder. The Remaining Party consents to such a payment and assignment in such circumstances.

4. Each of the Remaining Party and the Original Party represents and warrants to the New Party that (i) it or he, as the case may be, has power to execute,

deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its or his, as the case may be, legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

5. The New Party represents and warrants to the Remaining Party and the Original Party that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

6. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

7. This Agreement shall be governed and construed in accordance with the laws of the Isle of Man.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed the day and year first before written.

Barnville Limited

.....
Name:
Title:

Titanium Trading Partners LLC

.....
Name: J. A STADDON
Title: DIRECTOR OF MANAGING MEMBER

Jackstones Limited

.....
Name: Gordon Murray
Title: Director

4. Each of the Remaining Party and the Original Party represents and warrants to the New Party that (i) it or he, as the case may be, has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its or his, as the case may be, legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

5. The New Party represents and warrants to the Remaining Party and the Original Party that (i) it has power to execute, deliver and perform this Agreement and has taken all necessary action to authorise such execution, delivery and performance and (ii) this Agreement constitutes its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect).

6. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

7. This Agreement shall be governed and construed in accordance with the laws of the Isle of Man.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed the day and year first before written.

Barnville Limited

.....
Name: PAUL MOORE
Title: DIRECTOR

Titanium Trading Partners LLC

.....
Name:
Title:

Jackstones Limited

.....
Name:

Schedule

Contribution Shares

Share Name	Number	Relevant Stock Lending Agreement	Value as at Stock Lending Date	Value as at Effective Date
Adobe Systems Inc.	1,728,000	06 Jun 00	99,954,000	43,721,510
Automatic Data Processing	1,733,000	06 Jun 00	99,972,438	80,644,116
Applied Materials Inc	700,000	06 Jun 00	62,518,750	20,723,990
AOL Time Warner	1,000,000	03 Jan 00	82,750,000	32,571,500
AOL Time Warner	1,649,485	28 Feb 00	100,000,028	53,726,202
Biogen Inc.	953,516	28 Feb 00	99,999,991	50,687,385
Clear Channel Communications	973,596	03 Jan 00	85,433,049	37,752,256
Dell Computer Corporation	2,238,000	06 Jun 00	100,010,625	41,638,215
Ebay Inc.	1,538,462	28 Dec 99	107,592,340	71,808,940
Ebay Inc.	250,000	28 Feb 00	18,132,812	11,668,950
Ebay Inc.	1,393,000	06 Jun 00	100,034,812	65,019,389
Nokia Corporation	900,000	06 Jun 00	50,062,500	15,179,220
Oracle Corporation	900,000	06 Jun 00	34,678,125	11,087,190
Sprint Corporation (PCS Group)	1,756,000	06 Jun 00	99,982,250	44,368,853
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QualComm Inc.	575,000	28 Feb 00	82,368,750	27,141,265
Xilinx Inc	1,000,000	28 Feb 00	70,250,000	25,756,400
Totals	**21,627,240**		**1,392,266,774**	**680,186,604**

THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT (THE "WARRANTS") HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISON (THE "CFTC") UNDER THE UNITED STATES COMMODITY EXCHANGE ACT (THE "COMMODITY EXCHANGE ACT"). THE WARRANTS, OR INTERESTS THEREIN, MAY NOT AT ANY TIME BE OFFERED, SOLD, RESOLD, TRADED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA (INCLUDING THE STATES AND THE DISTRICT OF COLUMBIA), ITS TERRITORIES, ITS POSSESSIONS AND OTHER AREAS SUBJECT TO ITS JURISDICTION ("UNITED STATES") OR DIRECTLY OR INDIRECTLY OFFERED, SOLD, RESOLD, TRADED OR DELIVERED TO, OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON ("U.S. PERSON") WHO IS (I) AN INDIVIDUAL WHO IS A CITIZEN OR RESIDENT OF THE UNITED STATES; OR (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANISED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR WHICH HAS ITS PRINCIPAL PLACE OF BUSINESS IN THE UNITED STATES; OR (III) ANY ESTATE OR TRUST WHICH IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME; OR (IV) ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND IF ONE OR MORE UNITED STATES TRUSTEES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST; OR (V) A PENSION PLAN FOR THE EMPLOYEES, OFFICERS OR PRINCIPALS OF A CORPORATION, PARTNERSHIP OR OTHER ENTITY DESCRIBED IN (II) ABOVE; OR (VI) ANY ENTITY ORGANISED PRINCIPALLY FOR PASSIVE INVESTMENT, TEN PER CENT OR MORE OF THE BENEFICIAL INTERESTS IN WHICH ARE HELD BY PERSONS DESCRIBED IN (I) THROUGH (V) ABOVE IF SUCH ENTITY WAS FORMED PRINCIPALLY FOR THE PURPOSE OF INVESTMENT BY SUCH PERSONS IN A COMMODITY POOL THE OPERATOR OF WHICH IS EXEMPT FROM CERTAIN REQUIREMENTS FROM PART 4 OF THE CFTC'S REGULATIONS BY VIRTUE OF ITS PARTICIPANTS BEING NON-U.S. PERSONS; OR (VII) ANY OTHER "U.S. PERSON" AS SUCH TERM MAY BE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT OR IN REGULATIONS ADOPTED UNDER THE COMMODITY EXCHANGE ACT. IN ADDITION IN THE ABSENCE OF RELIEF FROM THE CFTC, OFFERS, SALES, RE-SALES, TRADES OR DELIVERIES OF WARRANTS, OR INTERESTS THEREIN, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS MAY CONSTITUTE A VIOLATION OF UNITED STATES LAW GOVERNING COMMODITIES TRADING, CONSEQUENTLY, ANY OFFER, SALE, RE-SALE, TRADE OR DELIVERY MADE, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON WILL NOT BE RECOGNISED.

TITANIUM TRADING PARTNERS LLC
(the "Issuer")
GLOBAL CALL WARRANT
In relation to a
Basket of Shares of Companies in the US Technology Sector due 21 September 2006

This global warrant (the **"Global Warrant"**) represents a duly authorised issue of 1000 warrants (the **"Warrants"** and each one a **"Warrant"**) in relation to a Basket of Shares of Companies in the US Technology Sector due 21 September 2006. The Global Warrant is subject to the attached terms and conditions (the **"Conditions"**).

The Global Warrant shall be governed by and construed in accordance with English law.

In witness whereof this Global Warrant has been executed by Titanium Trading Partners LLC as a deed poll and delivered on the day and year first below written.

Dated 21 September 2001

SIGNED as a deed)
by **Titanium Trading Partners LLC**)
DIRECTOR OF MANAGING MEMBER

In the presence of: ...ARRAN SHAILLE...

Witness' signature ...

Name: ...ARRAN SHAILLE...

Address: ONE...GREAT...CUMBERLAND PLACE, LONDON

TERMS AND CONDITIONS OF WARRANTS

1. Definitions

In these conditions:

"**Announcement Date**" means (i) in respect of a Nationalisation, the date of the first public announcement of a firm intention to nationalise (whether or not amended or on the terms originally announced) that leads to the Nationalisation and (ii) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, in each case as determined by the Issuer.

"**Basket**" means, with respect to a Warrant, a basket of shares comprising the Basket Shares specified in Schedule A hereto.

"**Basket Share**" means any share that is for the time being comprised in the Basket.

"**Delivery Disruption**" means, in the opinion of the Issuer, the failure of the Issuer to deliver on the Shares Settlement Date the requisite number of Basket Shares that is due solely to illiquidity in the market for such Basket Shares.

"**EAIB**" means European American Investment Bank AG, a financial institution organised under the laws of Austria.

"**Exchange Notice**" means a notice substantially in the form of the Exercise Notice as set out in Schedule A to these Conditions.

"**Exercise Price**" means USD $1,153,292 per Warrant, less an amount (if any) equal to the net amount of any dividends payable on the Share Entitlement which are reflected by a change from cum dividend quotation to ex dividend quotation of the Basket Shares on the relevant Share Exchange(s) on any day falling after the Trade Date and on or before the Exercise Date.

"**Exercise Date**" means 21 September 2006.

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the issuer of the Basket Shares are required to be transferred to a trustee, liquidator or other similar official, or (if holders of the Basket Shares become legally prohibited from transferring them.

"**Issue Date**" means 21 September 2001.

"**Merger Date**" means, in respect of a Merger Event, the date upon which all holders of the necessary number of Basket Shares to constitute a Merger Event (other than, in the case of a take-over offer, Basket Shares owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Basket Shares.

"**Merger Event**" means, in respect of the Basket Shares, any (i) reclassification or change of such Basket Shares that results in a transfer of or an irrevocable commitment to transfer all such Basket Shares outstanding: (ii) consolidation, amalgamation or merger of the issuer of the Basket Shares with or into another entity (other than a consolidation, amalgamation or merger in which the issuer of the Basket Shares is the continuing entity and which does not result in any such reclassification or change of all such Basket Shares outstanding): or (iii)

other take-over offer for such Basket Shares that result in a transfer of or an irrevocable commitment to transfer all such Basket Shares (other than such Basket Shares owned or controlled by the offeror), in each case if the Merger Date is on or before the Expiration Date.

"**Merger Event Settlement Amount**" means an amount as determined by the Issuer which shall seek to preserve for the Holder(s) (as defined under Clause 2) the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after the date but for the occurrence of the Merger Event.

"**Nationalisation**" means, with respect to any of the Basket Shares, all the Basket Shares or all the assets or substantially all the assets of the issuer of the Basket Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"**Nationalisation/Insolvency Settlement Amount**" means an amount determined by the Issuer which shall seek to preserve for the Holders(s) the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant (s) after that date but for the occurrence of the Nationalisation or Insolvency (as the case may be).

"**New Shares**" means shares (whether of the offeror or a third party).

"**Other Consideration**" means cash and/or any securities (other than New Shares) or assets (whether of the offeror or a third party).

"**Potential Adjustment Event**" means, with respect to any of the Basket Shares:

(a) a subdivision, consolidation or reclassification of the Basket Shares (unless a Merger Event), or a free distribution or dividend of any such Basket Shares to existing holders by way of a bonus, capitalisation or similar issue;

(b) a distribution or dividend to existing holders of the Basket Shares of (i) such Basket Shares, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Basket Shares equally or proportionately with such payments to holders of such Basket Shares, or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Issuer;

(c) an extraordinary dividend;

(d) a call by the issuer of the Basket Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(e) any other similar event that may have a diluting or concentrative effect on the theoretical value of the Basket Shares.

"**Settlement Business Day**" means a day (other than Saturday or Sunday) on which each (i) banks in New York and the relevant Settlement System are open for business.

"**Settlement Disruption**" means, in the opinion of the Issuer, any circumstance beyond the control of the Issuer as a result of which the relevant Settlement System cannot clear the transfer of the appropriate number of Basket Shares.

"**Settlement System**" means, with respect to Basket Shares, the system through which such shares are customarily settled or any successor to such respective settlements systems. If the relevant settlement system ceases to settle the Basket Shares, the Issuer will, in its sole discretion, determine another manner of settlement of such Basket Shares.

"**Share Entitlement**" means one Basket per Warrant.

"**Share Exchange**" means, with respect to a Basket Share, NASDAQ, or such other stock exchange as the Issuer shall determine to be the principal stock exchange on which a Basket Share is listed or traded.

"**Share Settlement Date**" means, subject to Condition 6, the fifth Settlement Business Day after the Exercise Date.

"**USD**" means lawful currency of the United States of America.

2. Form and Transfer

The Warrants will at all times be represented by a Global Warrant which will not itself be transferable and which will be deposited with EAIB. Definitive warrants will not be issued.

Notwithstanding any notice to the contrary, the person for the time being appearing in the books of EAIB as the holder of a Warrant shall, for all purposes, be treated by the Issuer and all other persons as the person who is from time to time entitled to exercise the Warrants, being the person who is recorded in the books of EAIB as the holder thereof (the "**Holder**" and, collectively, the "Holders").

All transactions involving the Warrants (including transfers), in the open market or otherwise, must be affected through an account at, and in accordance with any applicable rules and procedures of EAIB. Title to each Warrant will pass upon registration of the transfer in the books of the relevant Clearing System. The minimum trading lot for the Warrants is one Warrant and multiples of one Warrant thereafter.

3. Status

The Warrants (i) constitute unsecured and unsubordinated obligations of the Issuer, (ii) rank equally among themselves and (iii) at the date the Warrants were issued rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by law. The underlying assets do not constitute obligations of the Issuer and the issue of Warrants shall not result in any rights or obligations arising on the Holder or the Issuer in respect of such underlying assets. Neither the Issuer nor the Holder is obliged (but it may) to purchase, hold or deliver (other than in accordance with these Conditions) any underlying assets.

The Warrants are not secured by any of the Basket Shares or any other securities.

4. Exercise Rights

(a) Exercise Rights

Each Warrant will, when duly exercised in accordance with the terms and conditions set out below, entitle the Holder to purchase from the Issuer the Basket in consideration of the payment of the Exercise Price.

(b) Issuer's Obligations

In no event shall the Issuer have any liability for indirect, incidental or consequential damages (whether or not it has been advised of the possibility of such damages).

The exercise and settlement of the Warrants is subject to all applicable fiscal and other laws, regulations and practices in force on and following the Exercise Date and/or the Share Settlement Date.

The Issuer shall not incur any liability whatsoever if, after using its reasonable efforts, it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices.

(c) Prescription

If an Exercise Notice for a Warrant has not been duly completed and delivered in accordance with the provisions of Condition 5 set out below, by 10:00am (London time) on the Expiration Date, than that Warrant shall become void.

5. Exercise Procedure

(a) Exercise Notice

Subject to the exercise by the Issuer of the Issuer Call Right in accordance with Condition 12, or the to prior cancellation by the Issuer in accordance with the provisions of Condition 13, the Warrants may be exercised on the Exercise Date by the Holder delivering a duly completed Exercise Notice to EAIB on or before 12.00am (London time) on such day. Any Exercise Notice delivered after 12.00am on the Exercise Date shall be void and of no effect.

The Exercise Notice shall be in substantially the form set out in Schedule B hereto.

(b) Verification

Upon receiving an Exercise Notice, EAIB, shall verify that the person exercising the Warrants specified in the Exercise Notice is the Holder of those Warrants according to its books. Subject to such verification, EAIB will confirm to the Issuer the number of Warrants being exercised.

If the number of Warrants being exercised specified in the Exercise Notice exceeds the number of Warrants in the warrant account specified in the relevant Exercise Notice, the Exercise Notice will be deemed to be null and void and EAIB, will notify the Issuer accordingly. If the number of Warrants being exercised specified in the Exercise specified in the Exercise Notice does not exceed the number of Warrants in EAIB's account specified in the relevant Exercise Notice, then EAIB, will, on or before the Share Settlement Date, debit the account of the relevant Holder with the Warrants being exercised.

The Issuer will notify Holders as soon as reasonably practicable after it becomes aware of any Exercise Notice being invalid.

(c) Settlement

If a Warrant has been duly exercised in accordance with these conditions then on the Share Settlement Date the relevant Holder shall pay to the Issuer the Exercise Price and the Issuer shall transfer to the relevant Holder the Share Entitlement.

Such payment and such delivery will be made through the appropriate Settlement System at the account or by reference to an identification code notified to the Holders by the Warrant Agent, in the case of the Issuer, and, in the case of the Holders, as set out in the Exercise Notice, on a delivery against payments basis (wherever possible through relevant Settlement System).

(d) Effect of Exercise

Unless the exercise is determined to be improper, (i) the delivery of an Exercise Notice in relation to a Warrant shall constitute an irrevocable election and undertaking by the Holder to exercise that Warrant and (ii) after delivery of the Exercise Notice the relevant Holder may not transfer either legal or beneficial ownership of, or otherwise deal with, the Warrants being exercised. Notwithstanding this, if following the delivery of an Exercise Notice, any Holder does transfer or attempt to transfer the Warrants referred to in the Exercise Notice (the **"Exercised Warrants"**), then the Holder will be liable to the Issuer for any losses, reasonable costs and expenses suffered or incurred by the Issuer including those suffered as result of the Issuer terminating any related hedging arrangements as a result of receiving the relevant Exercise Notice and subsequently (i) entering into replacement hedging arrangements in respect of the Exercised Warrants or (ii) paying any amount in relation to the Exercised Warrants either with or without having entered into replacement hedging arrangements.

(e) Expenses

A Holder exercising a Warrant shall pay (i) all expenses including, without limitation, all stamp, issue, registration, securities transfer or other similar taxes or duties (**"expenses"**), if any, payable in connection with the issue and/or exercise of the Warrants, (ii) all expenses involved in delivering the Exercise Notice.

(f) Determinations

Any determination as to whether a Warrant has been properly exercised shall be made by the Issuer and shall be conclusive and binding on the Holder of that Warrant. Any attempt to exercise a Warrant that is determined to be improper shall be null and void and a further attempt will be determined in relation to when the subsequent Exercise Notice is delivered. The Issuer and EAIB will endeavour to notify the Holder of an improperly exercised Warrant of the improper exercise as soon as possible upon becoming aware of such improper exercise. In the absence of negligence or wilful misconduct, the Issuer or EAIB, will not be liable to any person for any action taken or omitted to be taken by it in connection with the notification or determination of an improper exercise. The Issuer will not under any circumstances be liable for any acts or defaults of EAIB in relation to the performance of their duties in relation to the Warrants.

(g) Global Warrant

When a Warrant is exercised, the Issuer will advise EAIB, and EAIB will note the exercise on the Global Warrant and the number of Warrants represented by such Global Warrant shall be reduced by the cancellation of the Warrants exercised.

6. Settlement Disruption

If in the opinion of the Issuer there is a Settlement Disruption in relation to the Basket Shares which prevents delivery of such Basket Shares on the original Share Settlement Date, the Share Settlement Date will be the first succeeding day on which there is no Settlement Disruption provided always that, if Settlement Disruption prevents settlement on each of the

10 Settlement Business Days immediately following the original Share Settlement Date, (i) if such Basket Shares can be delivered in any other commercially reasonable manner, then the Share Settlement Date will be the first day on which settlement of a sale of Basket Shares executed on that 10th Settlement Business Day customarily would take place using such other commercially reasonable manner of delivery, and (ii) if such Shares cannot be delivered in any other commercially reasonable manner, then the Share Settlement Date will be postponed until delivery can be effected through the relevant Settlement System or in any other commercially reasonable manner.

7. Delivery Disruption

If in the opinion of the Issuer there is a Delivery Disruption in relation to the Basket Shares and the Issuer has notified the relevant Holder(s) within one Settlement System Business Day following the Exercise Date to that effect, then the Issuer may:

(a) determine the obligation of the Holder(s) and/or the Issuer to deliver such Basket Shares and the Issuer will pay an amount as it determines shall seek to preserve for the Holder(s) the economic equivalent of the relevant receipt or delivery, as the case may be, (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after that date but for the occurrence of such Delivery Disruption, in which event the entitlements of the respective exercising Holder(s) to deliver or receive (as the case may be) such Basket Shares pursuant to such exercise shall cease and the Issuer's obligations under the Warrant(s) shall be satisfied in full upon payment of such amount; or

(b) determine that the Issuer shall deliver on the Share Settlement Date such number of Basket Shares as it can deliver on that date and that the Issuer shall pay an amount which it determines shall seek to preserve for the Holder(s) the economic equivalent of the delivery or receipt (as the case may be) of the remainder of the Basket Shares (assuming satisfaction of each applicable condition precedent) to which the Holder(s) would have been entitled under the Warrant(s) after that date but for the occurrence of such Delivery Disruption, in which event the entitlements of the respective exercising Holder(s) to deliver or receive (as the case may be) such Basket Shares pursuant to such exercise shall cease and the Issuer's obligations under the Warrant(s) shall be satisfied in full upon payment of such amount.

8. Adjustment

The Issuer shall determine whether or not at any time a Potential Adjustment Event has occurred in relation to the Basket Shares and where it determines that such an event has occurred, the Issuer will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Basket Shares and, if so, will make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Share Exercise Price and/or the Share Entitlement, which the Issuer determines to be appropriate to account for that diluting or concentrative effect and determine the effective date(s) of such adjustment(s).

9. Merger Event

If, in the opinion of the Issuer, a Merger Event has occurred in relation to the Basket Shares, then the Issuer may:

(a) make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Share Exercise Price and/or the Share Entitlement), to account for such Merger Event and determine the effective date(s) of such adjustment(s); or

(b) determine that the Warrants shall be terminated, in which case the Warrants shall cease to be exercisable as of the Merger Date, (or in the case of any Warrants which have been exercised but remain unsettled, the entitlements of the respective exercising Holder(s) to sell the Basket Shares pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Merger Event Settlement Amount.

10. Nationalisation or Insolvency

If, in the opinion of the Issuer, a Nationalisation or an Insolvency has occurred in relation to any of the Basket Shares, then the Issuer may:

(a) make such adjustment as it considers appropriate, if any, to the Conditions (including adjusting the Basket, Exercise Price and/or the Share Entitlement), which the Issuer determines to be appropriate to account for such Nationalisation and/or Insolvency (as the case may be) and determine the effective date(s) of such adjustment(s); or

(b) determine that the Warrants shall be terminated, in which case the Warrants shall cease to be exercisable as of the Announcement Date, (or in the case of the Warrants which have been exercised but remain unsettled, the entitlements of the respective exercising Holder(s) to sell Basket Shares pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Nationalisation/Insolvency Settlement Amount.

11. Illegality and Force Majeure

The Issuer shall have the right to terminate its obligations under the Warrants if it determines that it is or will become unlawful or impractical for it to carry out all or any of its obligations under the Warrants for any reason including, without limitation, as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances, the Issuer shall, if and to the extent permitted by applicable law, pay to each Holder in respect of each Warrant held by him an amount determined by the Issuer as representing the fair market value of such Warrant immediately prior to such termination (ignoring such illegality or impracticality), less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any underlying related hedge arrangements, all as determined by the Issuer.

12. Issuer Call Right

The Issuer shall have the right (but not the obligation) to call for all (but not some only) of the Warrants outstanding at any time during the period commencing on the Issue Date and ending on the date falling 270 days thereafter upon giving no less than 10 (ten) days prior written notice to the Holders in accordance with Condition 20(b) stating the date (the "Call Date") upon which the call of Warrants is to be made. On the Call Date, the Issuer shall credit to the account of each Holder (as such account(s) are notified to it by the Holders for such purpose) an amount equal to the Call Price per Warrant owned by the relevant Holder and upon such payment that Holder's Warrants shall be cancelled and be of no further effect.

For the purpose of the foregoing, the "Call Price" shall be an amount equal to the greater of (a) the subscription price for each Warrant (the "Subscription Price") plus interest thereon for the period commencing on the Issue Date and ending on the Call Date (both dates inclusive) at a rate equal to the rate of interest at which the Issuer deposited money, or would have been

able to deposit money, during entirety of that period and (b) the Subscription Price plus 50 per cent of the positive intrinsic value of each Warrant (if any) as at the Call Date.

13. Purchase and Cancellation

The Issuer or any of its affiliates may at any time purchase one or more of the Warrants at any price in the open market, by tender, by private treaty or otherwise. If a Warrant is purchased by the Issuer or its affiliate it may be cancelled, held or re-sold or otherwise dealt with. No Warrant that has been exercised or purchased and cancelled may be re-issued.

14. Failure to Cover

For so long as the Warrants remain outstanding, the Issuer hereby undertakes:

(a) to hold as beneficial owner all of the shares comprised in the Basket or otherwise to have enforceable rights to receive on demand delivery of such shares; and

(b) not to accept, assume or undertake any liability relating to any or all of the shares comprised in the Basket (whether conditional or unconditional, present or future) insofar as any such liability would, if performed, impair or otherwise limit the Issuer's ability to satisfy its obligations with respect to the Warrants

provided that, if either (a) and (b) are at any time not satisfied by the Issuer, then the Issuer shall nevertheless be deemed to be in compliance with this undertaking if it also owns at that time readily realisable assets (which, for these purposes, shall include cash balances and listed securities) having an aggregate value of at least three times the amount that would be required to comply with (a) and (b) above (whether in purchasing additional shares or unwinding any liability).

In the event that the Issuer fails to maintain its undertaking under this Condition, and does not remedy such remission within 10 days of such failure, then the Issuer shall be required to exercise its rights to call the Warrants from each Holder pursuant to Condition 12.

15. Taxation

The Issuer is not liable for or otherwise obliged to pay, and the relevant Holder shall pay, any tax, duty, charges, withholding or other payment which may arise as a result of, or in connection with the issue, ownership, transfer, exercise or enforcement of any Warrant, including, without limitation, the delivery of any amount of Basket Shares. The Issuer shall have the right, but not the duty, to withhold or deduct from any amount payable to the Holder, such amount as is necessary (i) for the payment of any such taxes, duties, charges, withholdings or other payments or (ii) for effecting reimbursement in accordance with the following sentence. The relevant Holder shall promptly reimburse the Issuer, if the Issuer is obliged to pay any tax, duty, charge, withholding or other payment referred to in this condition.

16. Invalidity and Modification

Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way. The Issuer will endeavour in good faith to replace the invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions.

The Issuer may modify the Conditions without the consent of the Holders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable provided that such modification is not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with Condition 20, but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

17. Further Issues

The Issuer may, from time to time without the consent of the Holders, create and issue further Warrants which form a single series with the Warrants.

18. Substitution

The Issuer may at any time, and from time to time, without the consent of the Holders, substitute for itself as obligor under the Warrants, any subsidiary or holding company of the Issuer or any subsidiary of such holding company which at the time of such substitution has the same credit rating as the Issuer (the "**New Issuer**"), provided that the New Issuer shall assume all obligations that the Issuer owes to the Holders under or in relation to the Warrants. If such substitution occurs, then any reference in these conditions to the Issuer shall be construed as a reference to the New Issuer. Any substitution will be promptly notified to the Holder in accordance with these conditions. In connection with any exercise by the Issuer of the right of the Substitution, the Issuer shall not be obliged to have regard to any of the consequences suffered by individual Holders as a result of the exercise by the Issuer of the right of substitution, including consequences resulting from the Holders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory. No Holder shall be entitled to claim from the Issuer any indemnification or repayment in respect of any consequence suffered by the Holder as a result of the exercise by the Issuer of the right of substitution.

19. Governing Law

The Warrants are governed by and construed in accordance with the laws of England. The Issuer hereby irrevocably agrees for the exclusive benefit of each Holder that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Warrants and that accordingly any suit, action or proceeding (together in this paragraph referred to as "**Proceedings**") arising out of or in connection with the Warrants may be brought in such courts. Nothing in this paragraph shall limit the right of the bearer of any Warrant to take Proceedings in any other court of competent jurisdiction, whether concurrently or not.

20. Warrant Agent

The Initial "**Warrant Agent**" is European American Investment Bank AG and its specified office is its head office at Suite 10 Lillengasse 1, 3rd Floor, A-1010, Vienna, Austria.

The Issuer reserves the right at any time to vary or terminate the appointment of EAIB and to appoint other or additional Warrant Agents. Notice of any such termination or appointment and of any changes in the specified office of EAIB will be given to the Holders in accordance with these Conditions.

EAIB is acting solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, any Holder.

21. Notices

(a) To the Issuer

Notice may be given to the Issuer by delivering the notice in writing to the Issuer at 19 Mount Havelock, Douglas, Isle of Man or such other address as may notified to the Holders in accordance with these Conditions.

(b) To the Holders

Any notice to the Holders will be deemed to have been duly given to the Holders if the notice is given to EAIB for onward transmission to the Holders. Any such notice shall be deemed to have been given by the Issuer to the Holders on the date the notice is given to EAIB.

22. Determinations of the Issuer

All calculations, determinations or other decisions by the Issuer pursuant to these Conditions (including where a matter is to be decided by reference to the Issuer's opinion) shall (save in the case of manifest error) be made in the Issuer's sole and absolute discretion and shall be final and binding on the Holder. The Issuer shall not have any responsibility for any errors or omissions in the calculation and determination of the any payment due under Conditions 6 to 12 arising from such errors or omissions.

SCHEDULE A

Share Basket

Stock Ticker	Company	No of Shares in Basket
ADBE	Adobe Systems Inc	1,728,000
ADP	Automatic Data Processing	1,733,000
AMAT	Applied Materials Inc	700,000
AOL	America Online	2,649,485
BGEN	Biogen Inc	953,516
CCU	Clear Channel	973,596
CSCO	Cisco Systems	2,000,000
DELL	Dell Computer	2,238,000
EBAY	EBAY	3,181,462
INTC	Intel Corp	1,150,000
MSFT	Microsoft Inc	745,000
NOK	Nokia Corp – Spon ADR	900,000
ORCL	Oracle Corporation	900,000
PCS	Sprint Corp (PCS Group)	1,756,000
Q	QWEST	2,339,181
QCOM	Qualcomm Inc	575,000
XLNX	Xilinx	1,000,000
Total		**25,522,240**

SCHEDULE B

THIS EXERCISE NOTICE SHALL NOT BE EFFECTIVE UNLESS THE APPROPRIATE CERTIFICATION AS TO NON-BENEFICIAL OWNERSHIP HAS ALSO BEEN DELIVERED WHERE REQUIRED

Titanium Trading Partners LLC
Warrants
In relation to
a Basket of Shares of Companies in the US Technology Sector due 21 September 2006

Exercise Notice for Warrants

1. Name of the Holder of the Warrants
(if joint Holders, insert all names)

2. Address of the Holder
(if joint Holders, insert the address of the first named Holder)

3. Number of Warrants being exercised

4. Warrant Account Details

The Holder irrevocably instructs EAIB to debit its account, on or before the Share Settlement Date, with the Number of Warrants specified in section 3 of this notice.

5. Undertaking

The Holder undertakes to pay all expenses, including, without limitation, any applicable stamp duty and or any other duties or taxes due in connection with the exercise by the Holder of the Warrants and the Holder irrevocably instructs EAIB (i) to debit the account specified in section 4 of this notice with an amount equal to the sum of any such expenses, duties or taxes and (ii) to pay such expenses, duties or taxes.

6. Signature of the Holder

(If joint Holder's, all Holder's must sign)

7. Date of this Notice

MEMBERSHIP INTEREST PURCHASE AGREEMENT

Dated as of September 24, 2001

between

TITANIUM ACQUISITION CORPORATION,
a Delaware corporation

and

BARNVILLE LIMITED,
a company incorporated and registered in the Isle of Man

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement," which term shall include all Exhibits and Schedules hereto) is made as of September 24, 2001, between Titanium Acquisition Corporation, a Delaware corporation ("Purchaser") and Barnville Limited, a company incorporated and registered in the Isle of Man ("Seller"), with reference to the following facts:

A. Seller and European American Investment Corporate Services Limited, a company incorporated and registered in England ("European"), are the only members of Titanium Trading Partners LLC, a Delaware limited liability company (the "Company").

B. Seller owns a ninety-nine percent (99%) Membership Interest in the Company (the "Purchased Interest") and European owns the remaining one percent (1%) Membership Interest in the Company (the "European Interest").

C. Purchaser desires to acquire from Seller, and Seller desires to sell to Purchaser, the Purchased Interest, upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations, warranties and agreements contained herein, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS AND CONSTRUCTION

1.1 Certain Definitions. The capitalized terms used in this Agreement shall, unless otherwise noted or unless the context otherwise requires, have the meanings assigned to them in Exhibit A attached hereto.

1.2 Terms Generally. The definitions used herein apply equally to both the singular and plural forms of the terms defined. Whenever the context requires, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be construed as if followed by the words "without limitation". The words "herein", "hereof" and "hereunder" and words of similar import refer to this Agreement (including the Exhibits and Schedules hereto) in its entirety and not to any part hereof, unless the context otherwise requires. All references herein to Articles, Sections, Exhibits and Schedules are references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context otherwise requires. Unless the context otherwise requires, any references to any agreement or other instrument or statute or regulation are to such agreement, instrument, statute or regulation as amended and supplemented from time to time (and, in the case of a statute or regulation, to any successor provisions). Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification of "business") shall mean a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular day, and such day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day. Any reference in this Agreement to

the words "know" or "knowledge" with respect to Seller and Purchaser. respectively, includes, without limitation, the actual knowledge of (i) any member of the Board of Directors of such party and (ii) those officers of such party occupying the position of vice president or higher.

ARTICLE II.
THE PURCHASE

2.1 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, at the Closing Seller will sell, convey, transfer, assign and deliver to Purchaser the Purchased Interest in consideration for the amount set forth on Exhibit B (the "Purchase Price").

2.2 Closing.

(a) Closing Date and Location. The Closing shall take place at 10:00 a.m. (Pacific Standard Time) at the offices of Akin, Gump, Strauss, Hauer & Feld, L.L.P., 2029 Century Park East, 24th Floor, Los Angeles, CA 90067, on September 24, 2001 (the "Closing Date").

(b) Obligations of Seller. At the Closing, Seller shall deliver and/or cause to be delivered the following to Purchaser:

(i) a certificate of existence and good standing for the Company in the State of Delaware, certified by the Delaware Secretary of State as of a date that is not more than ten (10) Business Days prior to the Closing Date;

(ii) a certificate, dated as of the Closing Date. executed by an executive officer of Seller, certifying that all of the representations and warranties made by Seller in Articles III and IV hereof are true and correct in all respects as of the Closing Date;

(iii) an opinion of Mark Moroney Advocates, as counsel for Seller, substantially in the form of Exhibit D attached hereto and dated as of the Closing Date;

(iv) an opinion of Bryan Cave LLP, as counsel for the Company, substantially in the form of Exhibit E attached hereto and dated as of the Closing Date;

(v) a duly executed copy of that certain Assignment of Rights Agreement, dated as of September 21, 2001, among Jackstones Limited. a company incorporated and registered in the Isle of Man ("Jackstones"), the Company and Seller;

(vi) a duly executed copy of that certain Stock Loans Unwind Agreement, dated as of the Closing Date, among Jackstones, the Company and Seller; and

(vii) a duly executed copy of the Membership Interest Purchase Agreement, dated as of the Closing Date, between Cheryl Saban, an individual ("Saban") and European evidencing the sale of the European Interest to Saban.

(c) Obligation of Purchaser. At the Closing, Purchaser shall deliver and/or caused to be delivered to Seller the Purchase Price by wire transfer of immediately available funds to an account designated for such purpose by Seller in writing prior to Closing.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SELLER WITH RESPECT TO THE COMPANY

Except as otherwise set forth on the Seller's Disclosure Schedules attached hereto, the Seller hereby, represents and warrants to the Purchaser as follows:

3.1 Organization and Qualification.

(a) The Company (i) is a limited liability company, duly organized, validly existing and in good standing under the laws of the Delaware and (ii) has all limited liability company power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Company is duly qualified or licensed to do business and in good standing in each jurisdiction in which the ownership or lease of its properties or the conduct of its business makes such qualification necessary.

(b) Seller has delivered to Purchaser true and complete copies of the organizational documents of the Company, as amended through and in effect on the date hereof, including the certificate of formation and operating agreement of the Company.

3.2 Subsidiaries. The Company has no subsidiaries of any kind and (except for the Portfolio) does not own any Equity Interest in any Person or have any rights to acquire any Equity Interest in any Person.

3.3 Capitalization.

(a) Upon the Closing, all of the issued and outstanding Membership Interest of the Company (which consists solely of the Purchased Interest and the European Interest) shall have been duly authorized, validly issued and fully paid, shall not have been issued in violation

of any preemptive rights, any Restriction in favor of any Person, the Securities Act or state securities laws.

(b) Upon the Closing, the Purchased Interest shall represent ninety-nine percent (99%) of the Membership Interest of the Company.

(c) The sale of the Purchased Interest will not be subject to any rights of first offer, first refusal, tag-along rights or other similar rights or restrictions and will be exempt from registration under the Securities Act or state securities laws.

3.4 The Portfolio; Other Assets; Liabilities; Purpose of Company.

(a) Attached hereto as Exhibit B is a list of publicly traded securities (the "Portfolio"), which shall, upon the Closing, be owned by the Company. Upon the Closing, the Company shall own the Portfolio free and clear of any Lien; provided, Purchaser acknowledges physical delivery of the Portfolio to the Portfolio Account may be five (5) days from the Closing Date to allow for customary settlement of purchaser orders for the Portfolio.

(b) Upon the Closing, the Portfolio shall be held in Account No. 8846 (the "Portfolio Account") at HSBC Bank USA (the "Broker") on behalf of and in the name of the Company pursuant to a written agreement whereby the Broker, which is maintaining the Portfolio Account, has undertaken and is obligated to treat the Company as entitled to exercise all rights with respect to the Portfolio Account and the Portfolio.

(c) With respect to the Portfolio Account and the Portfolio, as of the Closing Date, the Broker shall have (i) indicated by book entry that the Portfolio has been credited to the Portfolio Account on behalf of the Company; (ii) received the Portfolio from the Company, or on behalf of the Company, and shall have accepted the Portfolio for credit to the Portfolio Account; and (iii) shall become obligated to credit the Portfolio to the Portfolio Account.

(d) Upon the Closing, the Company shall own free and clean of any Lien the amount of cash set forth on Exhibit B (the "Warrant Sale Proceeds Cash"), subject to the terms and conditions of the Subscription Agreement.

(e) Upon the Closing, the Warrant Proceeds Cash shall be held in Account No. TTP-001 (the "Warrant Proceeds Account") at EA Investment Services Limited, a British Virgin Isles corporation ("EAIS") on behalf of and in the name of the Company pursuant to a written agreement whereby EAIS, which is maintaining the Warrant Proceeds Account, has undertaken and is obligated to treat the Company as entitled to exercise all rights with respect to the Warrant Proceeds Account and the Warrant Sale Proceeds Cash, subject to the terms of that agreement.

7.12 Expenses. All costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with the negotiation, execution, delivery and performance of this Agreement shall be paid by the party incurring such costs and expenses, whether or not the Closing shall occur.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"PURCHASER"

TITANIUM ACQUISITION CORPORATION,
a Delaware corporation

By:_____
Name: Haim Saban
Title: President

"SELLER"

BARNVILLE LIMITED,
a company incorporated and registered in the Isle of Man

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"PURCHASER"

TITANIUM ACQUISITION CORPORATION,
a Delaware corporation

By:_____
Name:
Title:

"SELLER"

BARNVILLE LIMITED,
a company incorporated and registered in the Isle of Man

By: Paul Moore
Name: PAUL MOORE
Title: DIRECTOR.

EXHIBIT A

DEFINITIONS

The following definitions shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries Controls, is Controlled by, or is under common Control with, such Person.

"Agreement" shall have the meaning given in the preamble.

"Broker" shall have the meaning given in Section 3.4(b).

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in either London, the City of New York or the City of Los Angeles are not required to be open.

"Closing" means the consummation of the Transaction.

"Closing Date" shall have the meaning given in Section 2.2(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning given in Recital A.

"Company Contract" shall have the meaning given in Section 3.9.

"Contract" means and includes any note, bond, indenture, mortgage, deed of trust, contract, instrument, or other agreement.

"Control" means the possession, direct or indirect, of the affirmative power to direct or cause the direction of the management and policies of a Person (whether through ownership of securities, partnership interests or other ownership interests, by contract, by membership or involvement in the board of directors, management committee or management structure of such Person, or otherwise).

"Controlled Affiliate" of any Person means any other Person which is Controlled by such first Person.

"EAIS" shall have the meaning given in Section 3.4(e).

"Equity Interest" means any capital stock, partnership interest, membership interest, limited liability company interest or other equity interest in any Person.

"European" shall have the meaning given in Recital A.

"European Interest" shall have the meaning given in Recital B.

"Governmental Entity" means and includes any court, arbitrator, administrative or other governmental department, agency, commission, authority or instrumentality, domestic (including federal, state or local) or foreign.

"IRS" shall have the meaning given in Section 3.8(d).

"Indebtedness" means with respect to any Person, without duplication, (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations or liabilities of such Person under or in connection with letters of credit or bankers' acceptances or similar items, (iv) obligations to pay the deferred purchase price of property or services other than current trade payables incurred in the ordinary course of business, (v) obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kind referred to in clauses (i) through (v) above.

"Jackstones" shall have the meaning given in Section 2.2(b)(v).

"Licenses" shall have the meaning given in Section 3.6(b).

"Lien" means any security interest, mortgage, pledge, hypothecation, charge, claim, option, right to acquire, adverse interest, assignment, deposit arrangement, encumbrance, restriction, statutory or other lien, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease involving substantially the same economic effect as any of the foregoing, and any effective financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Membership Interest" shall mean a membership interest, limited liability company interest and/or other equity interest in the Company.

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, association, or joint venture or a government or any agency, political subdivision or instrumentality thereof.

"Portfolio" shall have the meaning given in Section 3.4(a).

"Portfolio Account" shall have the meaning given in Section 3.4(b).

"Purchase Price" shall have the meaning given in Section 2.1(a).

"Purchased Interest" shall have the meaning given in Recital B.

"Purchaser" shall have the meaning given in the preamble.

"Representatives" means, as to each party, such party's Controlled Affiliates, and those Affiliates Controlling such party, and the respective directors, officers, employees, attorneys, consultants and other agents and advisors (including financial advisors) of such party, its Controlled Affiliates and those Affiliates Controlling such party.

"Restriction" means, with respect to any asset or property (tangible or intangible, including, without limitation, any Equity Interest), (x) any voting or other trust or agreement, option, warrant, escrow arrangement, proxy, buy-sell agreement, power of attorney or other Contract, or (y) any law, rule, regulation, order, judgment or decree that, in either case, conditionally or unconditionally: (i) grants to any Person the right to purchase or otherwise acquire, or obligates any Person to sell or otherwise dispose of or issue, or otherwise results in (or, upon the occurrence of any event or with notice or lapse of time or both or otherwise, may result in) any Person acquiring (A) any such asset, (B) any of the proceeds of, or any distributions paid or that are or may become payable with respect to, any such asset, or (C) any interest in such asset or any such proceeds or distributions; (ii) restricts (or, upon the occurrence of any event or with notice or lapse of time or both or otherwise, may restrict) the transfer or voting of, or the exercise of any rights or the enjoyment of any benefits arising by reason of ownership of, any such asset or any such proceeds or distributions; or (iii) creates (or, upon the occurrence of any event or with notice or lapse of time or both or otherwise, may create) a Lien or purported Lien affecting such asset, or any such proceeds or distributions, other than any applicable U.S. state or federal securities laws.

"Returns" shall have the meaning given in Section 3.8(b).

"Saban" shall have the meaning given in Section 2.2(b)(vii).

"Securities Act" means the Securities Act of 1933 and the rules and regulations thereunder, in each case as amended from time to time.

"Seller" shall have the meaning given in the preamble.

"Tax" shall have the meaning given in Section 3.8.

"Transaction" means the actions and transactions contemplated by this Agreement.

"Treasury Regulations" means the Treasury Regulations promulgated under the Code.

"United States" means the United States of America, including Puerto Rico and the United States Virgin Islands, but excluding any other territories and possessions of the United States.

"Violation" shall have the meaning given in Section 3.5(a).

"Warrant Proceeds Account" shall have the meaning given in Section 3.4(e).

"Warrant Sale Proceeds Cash" shall have the meaning given in Section 3.4(d).

EXHIBIT B

PORTOLIO/PURCHASE PRICE/WARRANT SALE PROCEEDS CASH

Stock	Number of Shares	Share Price (as of 9/24/2001)	Value (as of 9/24/2001)
ADBE	1,728,000	$25.3018	$43,721,510
ADP	1,733,000	46.5344	80,644,115
AMAT	700,000	29.6057	20,723,990
AOL	1,000,000	32.5715	32,571,500
AOL	1,649,485	32.5715	53,726,201
BGEN	953,516	53.1584	50,687,385
CCU	973,596	38.7761	37,752,256
CSCO	2,000,000	12.5506	25,101,200
DELL	2,238,000	18.6051	41,638,214
EBAY	250,000	46.6758	11,668,950
EBAY	1,393,000	46.6758	65,019,389
EBAY	1,538,462	46.6758	71,808,945
INTC	1,150,000	21.4840	24,706,600
MSFT	745,500	52.1351	38,866,717
NOK	900,000	16.8658	15,179,220
ORCL	900,000	12.3191	11,087,190
PCS	1,756,000	25.2670	44,368,852
Q	2,339,181	19.9605	46,691,222
QCOM	575,000	47.2022	27,141,265
XLNX	1,000,000	25.7564	25,756,400

PURCHASE PRICE (SECTION 2.1): $768,784,235

WARRANT SALE PROCEEDS CASH (SECTION 3.4(d)): $345,272,728

EXHIBIT C

NOTICES

Name	Address	State of Residence or Organization	Social Security or Federal Tax Identification No.	Organizational Identification No.
Barnville Limited	19 Mount Havelock Douglas Isle of Man IM1 2QG	Isle of Man	N/A	089809C
Titanium Acquisition Corporation	10960 Wilshire Boulevard, 22d Floor Los Angeles, CA 90024	Delaware	98-0234840	3426969

EXHIBIT D

FORM OF OPINION OF SELLER'S COUNSEL

Mark Moroney
Mark Moroney Advocates
1 Mount Pleasant
Douglas
Isle of Man

By post and by fax (fax no. 01624 620124)

25 September 2001

Dear Sirs

Barnville Limited

The purpose of this letter is to instruct you to conduct a review of the good standing and capacity of Barnville Limited ("Barnville") with respect to transactions with Titanium Trading Partners LLC ("Titanium") and Titanium Acquisition Corporation ("TAC").

We have enclosed a document entitled "Transaction Summary" together with the documents in the Appendices referred to therein, namely:

1. Barnville certificate of incorporation
2. Barnville memorandum of association
3. Barnville articles of association (documents 1-3, together the "Constitutional Documents")
4. Titanium Operating Agreement dated 21 September 2001
5. Assignment of Rights Agreement dated 21 September 2001
6. Membership Interest Purchase Agreement dated 24 September 2001
7. Stock Loans Unwind Agreement dated 24 September 2001 (documents 4-7, together the "Agreements")
8. Barnville Board Minutes dated 20, 21 and 24 September 2001
9. Letter to European American Investment Corporate Services Limited dated 21 September 2001
10. Letters to HSBC Bank (New York) dated 24 and 25 September 2001 (documents 8-10, together the "Miscellaneous Documents")

Based upon the above information and any other checks and enquiries that you deem necessary, we should be grateful if you could provide an opinion on whether:

1. Barnville has been duly formed and is validly existing and in good standing under the laws of its jurisdiction of formation.

2. Barnville has all necessary corporate power and authority to execute, deliver and perform its obligations under the Agreements and the transactions contemplated thereby, to consummate the transactions contemplated thereby and to comply with and fulfil its obligations thereunder.

3. The Agreements have been duly authorized, executed and delivered by Barnville, require no further corporate action on behalf of Barnville, and are legal, valid and binding obligations of Barnville, enforceable against Barnville in accordance with their terms.

Please feel free to contact Arfan Shaikh of this office (direct line 020 7535 0655) should you have any queries.

We look forward to hearing from you.

Yours faithfully

European American Investment
Advisory Services Limited

MEMBERSHIP INTEREST PURCHASE AGREEMENT

Dated as of September 24, 2001

between

CHERYL SABAN,
an individual

and

EUROPEAN AMERICAN INVESTMENT CORPORATE SERVICES LIMITED,
a company incorporated and registered in England

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement," which term shall include all Exhibits and Schedules hereto) is made as of September 24, 2001, between Cheryl Saban, an individual ("Purchaser") and European American Investment Corporate Services Limited, a company incorporated and registered in England ("Seller"), with reference to the following facts:

A. Seller and Barnville Limited, a company incorporated and registered in the Isle of Man ("Barnville") are the only members of Titanium Trading Partners LLC, a Delaware limited liability company (the "Company").

B. Barnville owns a ninety-nine percent (99%) Membership Interest in the Company (the "Barnville Interest") and Seller owns the remaining one percent (1%) Membership Interest in the Company ("Purchased Interest").

C. Purchaser desires to acquire from Seller, and Seller desires to sell to Purchaser, the Purchased Interest, upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations, warranties and agreements contained herein, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS AND CONSTRUCTION

1.1 Certain Definitions. The capitalized terms used in this Agreement shall, unless otherwise noted or unless the context otherwise requires, have the meanings assigned to them in Exhibit A attached hereto.

1.2 Terms Generally. The definitions used herein apply equally to both the singular and plural forms of the terms defined. Whenever the context requires, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be construed as if followed by the words "without limitation". The words "herein", "hereof" and "hereunder" and words of similar import refer to this Agreement (including the Exhibits and Schedules hereto) in its entirety and not to any part hereof, unless the context otherwise requires. All references herein to Articles, Sections, Exhibits and Schedules are references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context otherwise requires. Unless the context otherwise requires, any references to any agreement or other instrument or statute or regulation are to such agreement, instrument, statute or regulation as amended and supplemented from time to time (and, in the case of a statute or regulation, to any successor provisions). Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification of "business") shall mean a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular day, and such day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day. Any reference in this Agreement to

the words "know" or "knowledge" with respect to (i) Seller includes, without limitation, the actual knowledge of (x) any member of the Board of Directors of Seller and (y) those officers of Seller occupying the position of vice president or higher and (ii) Purchaser means the actual knowledge of Purchaser.

ARTICLE II.
THE PURCHASE

(a) Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, at the Closing Seller will sell, convey, transfer, assign and deliver to Purchaser the Purchased Interest in consideration for the amount set forth on Exhibit B (the "Purchase Price").

2.2 Closing.

(a) Closing Date and Location. The Closing shall take place at 10:00 a.m. (Pacific Standard Time) at the offices of Akin, Gump, Strauss, Hauer & Feld, L.L.P., 2029 Century Park East, 24th Floor, Los Angeles, CA 90067, on September 24, 2001 (the "Closing Date").

(b) Obligations of Seller. At the Closing, Seller shall deliver and/or cause to be delivered the following to Purchaser:

(i) a certificate of existence and good standing for the Company in the State of Delaware, certified by the Delaware Secretary of State as of a date that is not more than ten (10) Business Days prior to the Closing Date;

(ii) a certificate, dated as of the Closing Date, executed by an executive officer of Seller, certifying that all of the representations and warranties made by Seller in Article III and IV hereof are true and correct in all respects as of the Closing Date;

(iii) an opinion of Bryan Cave LLP, as counsel for the Company, substantially in the form of Exhibit D attached hereto and dated as of the Closing Date;

(iv) a duly executed copy of that certain Assignment of Rights Agreement, dated as of September 21, 2001, among Jackstones Limited, a company incorporated and registered in the Isle of Man ("Jackstones"), the Company and Seller;

(v) a duly executed copy of that certain Stock Loans Unwind Agreement, dated as of the Closing Date, among Jackstones, the Company and Seller; and

(vi) a duly executed copy of the Membership Interest Purchase Agreement, dated as of the Closing Date, between Titanium Acquisition Corporation, a Delaware corporation ("TAC") and Barnville, evidencing the sale of the Barnville Interest to TAC.

(c) Obligation of Purchaser. At the Closing, Purchaser shall deliver and/or caused to be delivered to Seller the Purchase Price by wire transfer of immediately available funds to an account designated for such purpose by Seller in writing prior to Closing.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SELLER WITH RESPECT TO THE COMPANY

Except as otherwise set forth on the Seller's Disclosure Schedules attached hereto, the Seller hereby, represents and warrants to the Purchaser as follows:

3.1 Organization and Qualification.

(a) The Company (i) is a limited liability company, duly organized, validly existing and in good standing under the laws of the Delaware and (ii) has all limited liability company power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Company is duly qualified or licensed to do business and in good standing in each jurisdiction in which the ownership or lease of its properties or the conduct of its business makes such qualification necessary.

(b) Seller has delivered to Purchaser true and complete copies of the organizational documents of the Company, as amended through and in effect on the date hereof, including the certificate of formation and operating agreement of the Company.

3.2 Subsidiaries. The Company has no subsidiaries of any kind and (except for the Portfolio) does not own any Equity Interest in any Person or have any rights to acquire any Equity Interest in any Person.

3.3 Capitalization.

(a) Upon the Closing, all of the issued and outstanding Membership Interest of the Company (which consists solely of the Purchased Interest and the Barnville Interest) shall have been duly authorized, validly issued and fully paid, shall not have been issued in violation

of any preemptive rights, any Restriction in favor of any Person, the Securities Act or state securities laws.

(b) Upon the Closing, the Purchased Interest shall represent one percent (1%) of the Membership Interest of the Company.

(c) The sale of the Purchased Interest will not be subject to any rights of first offer, first refusal, tag-along rights or other similar rights or restrictions and will be exempt from registration under the Securities Act or state securities laws.

3.4 The Portfolio; Other Assets; Liabilities; Purpose of Company.

(a) Attached hereto as Exhibit B is a list of publicly traded securities (the "Portfolio"), which shall, upon the Closing, be owned by the Company. Upon the Closing, the Company shall own the Portfolio free and clear of any Lien; provided, Purchaser acknowledges physical delivery of the Portfolio to the Portfolio Account may be five (5) days from the Closing Date to allow for customary settlement of purchase orders for the Portfolio.

(b) Upon the Closing, the Portfolio shall be held in Account No. 8846 (the "Portfolio Account") at HSBC Bank USA (the "Broker") on behalf of and in the name of the Company pursuant to a written agreement whereby the Broker, which is maintaining the Portfolio Account, has undertaken and is obligated to treat the Company as entitled to exercise all rights with respect to the Portfolio Account and the Portfolio.

(c) With respect to the Portfolio Account and the Portfolio, as of the Closing Date, the Broker shall have (i) indicated by book entry that the Portfolio has been credited to the Portfolio Account on behalf of the Company; (ii) received the Portfolio from the Company, or on behalf of the Company, and shall have accepted the Portfolio for credit to the Portfolio Account; and (iii) shall become obligated to credit the Portfolio to the Portfolio Account.

(d) Upon the Closing, the Company shall own free and clean of any Lien the amount of cash set forth on Exhibit B (the "Warrant Sale Proceeds Cash"), subject to the terms and conditions of the Subscription Agreement.

(e) Upon the Closing, the Warrant Proceeds Cash shall be held in Account No. TTP-001 (the "Warrant Proceeds Account") at EA Investment Services Limited, a British Virgin Isles corporation ("EAIS") on behalf of and in the name of the Company pursuant to a written agreement whereby EAIS, which is maintaining the Warrant Proceeds Account, has undertaken and is obligated to treat the Company as entitled to exercise all rights with respect to the Warrant Proceeds Account and the Warrant Sale Proceeds Cash, subject to the terms of that agreement.

EXHIBIT A

DEFINITIONS

The following definitions shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries Controls, is Controlled by, or is under common Control with, such Person.

"Agreement" shall have the meaning given in the preamble.

"Barnville" shall have the meaning given in Recital A.

"Barnville Interest" shall have the meaning given in Recital B.

"Broker" shall have the meaning given in Section 3.4(b).

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in either London, the City of New York or the City of Los Angeles are not required to be open.

"Closing" means the consummation of the Transaction.

"Closing Date" shall have the meaning given in Section 2.2(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning given in Recital A.

"Company Contract" shall have the meaning given in Section 3.9.

"Contract" means and includes any note, bond, indenture, mortgage, deed of trust, contract, instrument, or other agreement.

"Control" means the possession, direct or indirect, of the affirmative power to direct or cause the direction of the management and policies of a Person (whether through ownership of securities, partnership interests or other ownership interests, by contract, by membership or involvement in the board of directors, management committee or management structure of such Person, or otherwise).

"Controlled Affiliate" of any Person means any other Person which is Controlled by such first Person.

"EAIS" shall have the meaning given in Section 3.4(e).

"Equity Interest" means any capital stock, partnership interest, membership interest, limited liability company interest or other equity interest in any Person.

"Governmental Entity" means and includes any court, arbitrator, administrative or other governmental department, agency, commission, authority or instrumentality, domestic (including federal, state or local) or foreign.

"IRS" shall have the meaning given in Section 3.8(d).

"Indebtedness" means with respect to any Person, without duplication, (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations or liabilities of such Person under or in connection with letters of credit or bankers' acceptances or similar items, (iv) obligations to pay the deferred purchase price of property or services other than current trade payables incurred in the ordinary course of business, (v) obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kind referred to in clauses (i) through (v) above.

"Jackstones" shall have the meaning given in Section 2.2(b)(iv).

"Licenses" shall have the meaning given in Section 3.6(b).

"Lien" means any security interest, mortgage, pledge, hypothecation, charge, claim, option, right to acquire, adverse interest, assignment, deposit arrangement, encumbrance, restriction, statutory or other lien, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease involving substantially the same economic effect as any of the foregoing, and any effective financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Membership Interest" shall mean a membership interest, limited liability company interest and/or other equity interest in the Company.

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, association, or joint venture or a government or any agency, political subdivision or instrumentality thereof.

"Portfolio" shall have the meaning given in Section 3.4(a).

"Portfolio Account" shall have the meaning given in Section 3.4(b).

"Purchase Price" shall have the meaning given in Section 2.1(a).

"Purchased Interest" shall have the meaning given in Recital B.

"Purchaser" shall have the meaning given in the preamble.

"Representatives" means, as to each party, such party's Controlled Affiliates, and those Affiliates Controlling such party, and the respective directors, officers, employees, attorneys, consultants and other agents and advisors (including financial advisors) of such party, its Controlled Affiliates and those Affiliates Controlling such party.

"Restriction" means, with respect to any asset or property (tangible or intangible, including, without limitation, any Equity Interest), (x) any voting or other trust or agreement, option, warrant, escrow arrangement, proxy, buy-sell agreement, power of attorney or other Contract, or (y) any law, rule, regulation, order, judgment or decree that, in either case, conditionally or unconditionally: (i) grants to any Person the right to purchase or otherwise acquire, or obligates any Person to sell or otherwise dispose of or issue, or otherwise results in (or, upon the occurrence of any event or with notice or lapse of time or both or otherwise, may result in) any Person acquiring (A) any such asset, (B) any of the proceeds of, or any distributions paid or that are or may become payable with respect to, any such asset, or (C) any interest in such asset or any such proceeds or distributions; (ii) restricts (or, upon the occurrence of any event or with notice or lapse of time or both or otherwise, may restrict) the transfer or voting of, or the exercise of any rights or the enjoyment of any benefits arising by reason of ownership of, any such asset or any such proceeds or distributions; or (iii) creates (or, upon the occurrence of any event or with notice or lapse of time or both or otherwise, may create) a Lien or purported Lien affecting such asset, or any such proceeds or distributions, other than any applicable U.S. state or federal securities laws.

"Returns" shall have the meaning given in Section 3.8(b).

"Securities Act" means the Securities Act of 1933 and the rules and regulations thereunder, in each case as amended from time to time.

"Seller" shall have the meaning given in the preamble.

"TAC" shall have the meaning given in Section 2.2(b)(vi).

"Tax" shall have the meaning given in Section 3.8.

"Transaction" means the actions and transactions contemplated by this Agreement.

"Treasury Regulations" means the Treasury Regulations promulgated under the Code.

"United States" means the United States of America, including Puerto Rico and the United States Virgin Islands, but excluding any other territories and possessions of the United States.

"Violation" shall have the meaning given in Section 3.5(a).

"Warrant Proceeds Account" shall have the meaning given in Section 3.4(e).

"Warrant Sale Proceeds Cash" shall have the meaning given in Section 3.4(d).

EXHIBIT B

PORTOLIO/PURCHASE PRICE/WARRANT SALE PROCEEDS CASH

Stock	Number of Shares	Share Price (as of 9/24/2001)	Value (as of 9/24/2001)
ADBE	1,728,000	$25.3018	$43,721,510
ADP	1,733,000	46.5344	80,644,115
AMAT	700,000	29.6057	20,723,990
AOL	1,000,000	32.5715	32,571,500
AOL	1,649,485	32.5715	53,726,201
BGEN	953,516	53.1584	50,687,385
CCU	973,596	38.7761	37,752,256
CSCO	2,000,000	12.5506	25,101,200
DELL	2,238,000	18.6051	41,638,214
EBAY	250,000	46.6758	11,668,950
EBAY	1,393,000	46.6758	65,019,389
EBAY	1,538,462	46.6758	71,808,945
INTC	1,150,000	21.4840	24,706,600
MSFT	745,500	52.1351	38,866,717
NOK	900,000	16.8658	15,179,220
ORCL	900,000	12.3191	11,087,190
PCS	1,756,000	25.2670	44,368,852
Q	2,339,181	19.9605	46,691,222
QCOM	575,000	47.2022	27,141,265
XLNX	1,000,000	25.7564	25,756,400

PURCHASE PRICE (SECTION 2.1): $7,765,497

WARRANT SALE PROCEEDS CASH (SECTION 3.4(d)): $345,272,728

EXHIBIT C

NOTICES

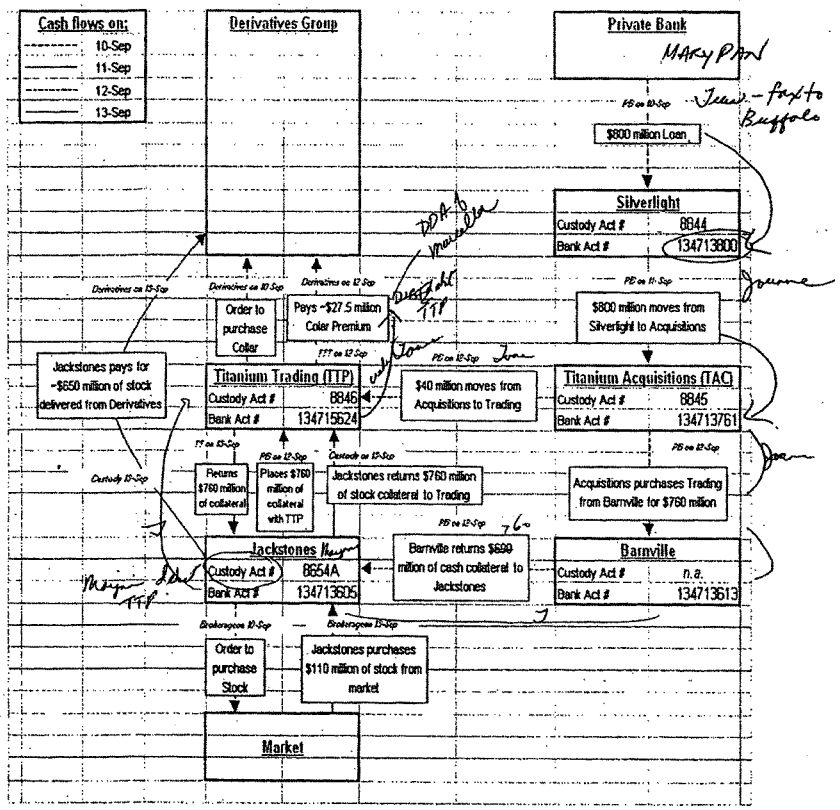
Name	Address	State of Residence or Organization	Social Security or Federal Tax Identification No.	Organizational Identification No.
Cheryl Saban	10960 Wilshire Boulevard 22d Floor Los Angeles, CA 90024	California	564-80-6744	N/A
European American Investment Corporate Services Limited	6th Floor, Walmar House 288/292 Regent Street London W1R 5HF, England	England	N/A	3798419

EXHIBIT D

FORM OF OPINION OF COMPANY'S COUNSEL

Collar Cash Flows Transaction

Transaction is scheduled for the September 10th, 2001.



Cash Client account to debit debit Titan Trading.

SILVERLIGHT ENTERPRISES L.P. TRANSACTION BREAKDOWN

1. Move $800,000,000.00 from Silverlight #134713800 to TAC #134713761
2. Move $768,791,627.00 from TAC #134713761 to Barnville #134713613
3. Move $31,208,373.00 from TAC #134713761 to TTP #134715624
4. Move $667,064,361.00 from Barnville #134713613 to Jackstones #134713605
5. Move $101,804,163.00 from Barnville #134713613 to TTP Special #134714156
6. Move $667,064,361.00 from Jackstones #134713605 to TTP Special #134714156
7. Takedown $7MM from Silverlight loan
8. Move $7MM from Silverlight #134713800 to Cheryl Saban #134714075
9. Move $7,765,572.00 from C. Saban #134714075 to European American Invt. #134714164
10. Move $315,236.00 from C. Saban #134714075 to TTP 134715624
11. Invest $31,523,609.00 for TTP #134715624 O/N Euro 3%
12. Invest $768,868,524.00 for TTP Special #134714156 O/N Euro 3%
13. Move $7,688,685.00 from European American Investment #134714164 to Barnville #134713613.

STOCK LOANS UNWIND AGREEMENT

THIS AGREEMENT is made on this 24th day of September 2001

BETWEEN:

(1) Jackstones Limited of 12-14 Finch Road, Douglas, Isle of Man (the "Borrower");

(2) Titanium Trading Partners LLC, a limited liability company organised under the laws of Delaware (the "Lender"); and

(3) Barnville Limited of 19 Mount Havelock, Douglas, Isle of Man ("Barnville").

WHEREAS:

(A) The Borrowed Shares were originally lent by Barnville Limited to the Borrower pursuant to the Stock Lending Transactions.

(B) Barnville under the terms of the Assignment Agreement assigned to the Lender all of its rights and entitlements under the Stock Lending Transactions with respect to the Borrowed Shares.

(C) Also in accordance with the Assignment Agreement, Barnville retained the cash collateral originally transferred by Jackstones to Barnville under the Stock Lending Transactions with respect to the Borrowed Shares on condition that Barnville would remain liable to return such cash collateral to the Borrower upon and subject to the redelivery by the Borrower of the Borrowed Shares to the Lender as and when the Lender calls for the same to be redelivered pursuant to the terms of the Stock Lending Transactions.

(D) The Lender wishes to receive back from the Borrower the Borrowed Shares and the parties have agreed to effect the same in accordance with the terms of this Agreement.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS:

1. Interpretation

1.1 In this Agreement, unless the context otherwise requires, the following words and expressions will have the meanings set opposite them:

"Assignment Agreement" means the assignment of rights agreement entered into on 21 September 2001 between Barnville Limited, the Purchaser and the Vendor.

"Borrowed Shares" means the shares specified in the Appendix hereto.

"Settlement Date" means the date of this Agreement.

"Stock Lending Agreement" means the master stock lending agreement entered into between the Purchaser and Barnville Limited on 28 December 1999.

"Stock Lending Transactions" the stock lending transactions relating to the Borrowed Shares originally entered into by Barnville (as the lender) and the Purchaser on 28 December 1999, 3 January 2000, 10 January 2000, 28 February and 6 June 2000 pursuant to the terms of the Stock Lending Agreement and as assigned from Barnville to the Vendor under the Assignment Agreement.

1.2 Clause headings are for ease of reference only and are not intended to affect the interpretation of this Agreement.

2. Termination of Stock Lending Transactions

Each of the Stock Lending Transactions in so far as they relate to the Borrowed Shares shall be unwound and terminated on the date hereof and in accordance with the terms of the Stock Lending Agreement the Borrower shall forthwith be obliged to redeliver to the Lender the Borrowed Shares on the Settlement Date. Upon such redelivery, all the obligations of the Borrower to the Lender under the Stock Lending Transactions shall have been discharged in full.

3. Return of Cash Collateral

3.1 Upon the redelivery of the Borrowed Shares by the Borrower to the Lender in accordance with Clause 2 above, Barnville shall pay to the Borrower $680,186,604, being the agreed aggregate market value of the Borrowed Shares as of the market's open in New York time on today's date, and such payment shall reduce the Cash Collateral Obligation by an equivalent amount.

3.2 If and to the extent that following the reduction to the Cash Collateral Obligation in accordance with the foregoing, an amount remains owing by Barnville to the Borrower with respect to the Cash Collateral Obligation (such amount being the "Balance"), then Barnville shall, in full and final discharge of the Cash Collateral Obligation, execute in favour of the Borrower a promissory note having a face amount equal to the Balance and bearing interest at prevailing money market rates and otherwise on terms and in a form reasonably satisfactory to the Borrower.

4. Counterparts

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all the counterparts shall constitute one and the same instrument.

5. Governing Law and Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of the Isle of Man.

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Jackstones Limited

.....

Name:
Title:

For and on behalf of
Barnville Limited

.....

Name: PAUL MOORE
Title: DIRECTOR

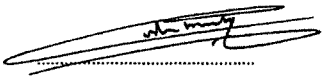
For and on behalf of
Titanium Trading Partners LLC

.....

Name:
Title:

AS WITNESS this Agreement has been entered into by duly authorised representatives of the Purchaser and by the Vendor on the date first written above.

For and on behalf of
Jackstones Limited



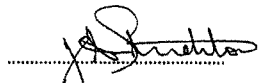
Name: Gordon Munoy
Title: Director

For and on behalf of
Barnville Limited

.....

Name:
Title:

For and on behalf of
Titanium Trading Partners LLC



Name: J. A STADDON
Title: DIRECTOR OF MANAGING MEMBER

Appendix

Borrowed Share	Number of Borrowed Shares	Relevant Stock Lending Agreement
Adobe Systems Inc.	1,728,000	06 Jun 00
Automatic Data Processing	1,733,000	06 Jun 00
Applied Materials Inc	700,000	06 Jun 00
AOL Time Warner	1,000,000	03 Jan 00
AOL Time Warner	1,649,485	28 Feb 00
Biogen Inc.	953,516	28 Feb 00
Clear Channel Communications	973,596	03 Jan 00
Dell Computer Corporation	2,238,000	06 Jun 00
Ebay Inc.	1,538,462	28 Dec 99
Ebay Inc.	250,000	28 Feb 00
Ebay Inc.	1,393,000	06 Jun 00
Nokia Corporation	900,000	06 Jun 00
Oracle Corporation	900,000	06 Jun 00
'Sprint Corporation (PCS Group)	1,756,000	06 Jun 00
Qwest Communications International Inc.	2,339,181	03 Jan 00
QualComm Inc.	575,000	28 Feb 00
Xilinx Inc	1,000,000	28 Feb 00
Totals	**21,627,240**	

Date: October 17, 2001

To: Titanium Trading Partners LLC	From: HSBC Bank USA
Attention: Chuck Wilk	Contact: Byron Rennick
Phone Number: (206) 613-6700	Phone Number: (212) 525-3684
Facsimile Number: (206) 613-6713	Facsimile Number: (212) 525-5859
Re: Reference # RNEO10252	

Dear Sirs:

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the 10 Transactions entered into between HSBC Bank USA (the "Bank") and Titanium Trading Partners LLC ("Counterparty") on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (the "Swap Definitions") and in the 1996 ISDA Equity Derivatives Definitions (the "Equity Definitions" and, together with the Swap Definitions, the "Definitions"), in each case as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), are incorporated into this Confirmation. In the event of any inconsistency between the Swap Definitions and the Equity Definitions, the Equity Definitions will govern. In the event of any inconsistency between either set of Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation evidences a complete binding agreement between the Bank and Counterparty as to the terms of the Transactions to which this Confirmation relates. This Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement, dated as of September 7, 2001, as amended and supplemented from time to time (the "Agreement"), between the Bank and the Counterparty.

2. The terms of each of the 10 Transactions to which this Confirmation relates are identical (except as set forth under "Expiration Date" below), and are as follows:

GENERAL TERMS OF EACH TRANSACTION:

Trade Date:	September 24, 2001
Option Style:	European
Transaction Type:	Share Basket Collar Transaction, which is comprised of a Call and a Put
Buyer of Call, Seller of Put:	The Bank
Seller of Call, Buyer of Put:	Counterparty

HSBC Bank USA

Basket:	A basket of shares composed of the shares (each, respectively, a "Share") of each company (each, respectively, an "Issuer") specified in Annex I attached hereto in the quantity indicated therein
Number of Options:	1
Option Entitlement:	1 Basket per Option
Multiple Exercise:	Inapplicable
Initial Price:	$76,886,112.13
Strike Price of Put (Floor Price):	$76,886,112.13
Strike Price of Call (Cap Price):	$83,037,001.10
Premium:	$3,152,330.59
Premium Payer:	Counterparty
Premium Payment Date:	September 25, 2001. Counterparty hereby authorizes the Bank, on the Premium Payment Date, to debit from Counterparty's account maintained with the Bank (account number 134715624) an amount equal to the Premium.
Exchange(s):	For each Share comprised in the Basket, as specified for such Share in Annex I
Related Exchange(s):	Any exchange on which options or futures on the Shares are traded.
Clearance System:	The relevant Clearance System for the Shares

PROCEDURE FOR EXERCISE IN RESPECT OF EACH TRANSACTION:

Expiration Time:	4 p.m. local time in New York City
Expiration Date:	The 10 Transactions shall have the Expiration Dates set forth below:

Transaction	Expiration Date
1	December 17, 2001
2	December 18, 2001
3	December 19, 2001
4	December 20, 2001
5	December 21, 2001
6	December 24, 2001
7	December 26, 2001
8	December 27, 2001
9	December 28, 2001
10	December 31, 2001

HSBC Bank USA

Automatic Exercise:	Applicable.
Bank's Telephone Number and Facsimile Number and Contact Details for Purpose of Giving Notice:	Tel: (212) 525-8010 / 5370 Fax: (212) 525-8015 Contact: Russell Schreiber / Mary Pan HSBC Bank USA 452 Fifth Avenue New York, NY 10018
Reference Price:	For each Expiration Date, the sum of the values for the Shares of each Issuer comprised in the Basket in respect of which such Expiration Date occurs, in each case calculated as the product of (i) the Share Price of one such Share and (ii) the relevant Number of Shares comprised in the Basket in respect of which such Expiration Date occurs. "Share Price" means for those Shares listed on the Nasdaq NMS, the last traded price per Share quoted by the Exchange at the Expiration Time on the relevant Expiration Date, without regard to extended or after hours trading. "Share Price" means for those Shares listed on the New York Stock Exchange, the closing price per Share quoted by the Exchange at the Expiration Time on the relevant Expiration Date, without regard to extended or after hours trading.

SETTLEMENT TERMS:

Physical Settlement:	Applicable
Failure to Deliver:	Applicable

ADJUSTMENTS AND EXTRAORDINARY EVENTS:

Adjustments:

Method of Adjustment:	Calculation Agent Adjustment

Extraordinary Events:

Consequences of Merger Events:	
(a) Share-for-Share:	Alternative Obligation or Cancellation and Payment, at the Bank's discretion, and the Bank shall notify Counterparty of its election no later than two (2) Business Days prior to the Merger Date.
(b) Share-for-Other:	Cancellation and Payment
(c) Share-for-Combined:	Cancellation and Payment with respect to the Other Consideration, and with respect to the New Shares, Alternative Obligation or Cancellation and Payment, at the Bank's discretion, and the Bank shall notify

Counterparty of its election no later than two (2) Business Days prior to the Merger Date.

Alternative Obligation: The applicable definition of "Alternative Obligation" in subsections 9.3(b), (c) and (d) of the Equity Definitions shall be amended by adding the following at the end of each such subsection:

"including any one or more of the Strike Price of the Call, Strike Price of the Put, Number of Options, Number of Shares in the Basket, Option Entitlement, Relevant Price, Averaging Dates, Reference Price, and any other variable relevant to the exercise, settlement or payment terms of each such Transaction. Notwithstanding the above, the Calculation Agent will determine if any such Merger Event adjustment affects the theoretical value of any such Transaction, and if so, may in its reasonable discretion make an adjustment to any one or more of the, Strike Price of the Call, Strike Price of the Put, Number of Options, Number of Shares in the Basket, Option Entitlement, Relevant Price, Averaging Dates, Reference Price, and any other variable relevant to the exercise, settlement or payment terms of such Transaction to reflect the characteristics (including, without limitation, the volatility, dividend practice and policy and liquidity) of the New Shares and/or the Other Consideration. Any adjustment made pursuant to this paragraph will be effective as of the date determined by the Calculation Agent.

Nationalization or Insolvency: Cancellation and Payment

Definitions: The definition of "Merger Event" in Section 9.2(a) of the Equity Definitions shall be deleted in its entirety and replaced with the following:

"Merger Event" means any (i) reclassification or change of the Shares that results in a transfer of, or an irrevocable commitment to transfer 10% or more of all outstanding Shares, (ii) consolidation, amalgamation or merger of the Issuer with or into another entity (other than a consolidation, amalgamation or merger in which the Issuer is the continuing entity and which does not result in any such reclassification or change of 10% or more of all outstanding Shares) or (iii) other takeover offer for the Shares that results in a transfer of or an irrevocable commitment to transfer 10% or more of all the outstanding Shares (other than the Shares owned or controlled by the offeror), in each case if the Merger Date is on or before, in the case of a Physically-settled Option Transaction, the final Expiration Date or, in any other case, the final Valuation Date."

3. Calculation Agent:

The Bank will be the Calculation Agent. Whenever the Calculation Agent is required to act, it will do so in good faith, and its determinations and calculations will be binding in the absence of manifest error.

4. Accounts Details:

Account for payments to the Bank: HSBC Bank USA,
ABA #021-004-823

HSBC Bank USA

Account for payments to the Counterparty: HSBC Bank USA,
ABA #021-004-823,
Account #8656

5. Offices:

The Office of the Bank for the Transaction is New York

6. Broker/Arranger: None.

7. Additional Termination Events

Each of the following shall constitute an Additional Termination Event with respect to this Transaction in respect of which both parties shall be Affected Parties:

(a) The occurrence or existence on any Exchange Business Day or Local Business Day of any event, circumstance or cause beyond the control of the Bank that has or reasonably would be expected to have a material adverse effect on its ability to perform its obligations under this Transaction; and

(b) The occurrence or existence on any Exchange Business Day or Local Business Day of an event beyond the control of the Bank that has the effect of making it impossible or illegal for the Bank to maintain its hedge in connection with this Transaction (including without limitation the ability to freely trade (long or short) the Shares on the Exchange or to borrow the Shares on reasonable terms).

8. Unwind Events.

Each of the following shall constitute an Unwind Event:

(i) The Reference Price of the Basket at the Expiration Time on any Exchange Business Day occurring 60 or more calendar days after Trade Date depreciates by more than 10% from the Initial Price.

(ii) Counterparty shall notify the Bank that an Unwind Event has occurred.

Upon the occurrence of an Unwind Event, the Transaction shall terminate immediately (the "Unwind Date") and the Unwind Date shall become the sole Expiration Date.

The amount payable upon the termination of this Transaction following the occurrence of an Unwind Event shall be determined by the Calculation Agent using the standard Black-Scholes option pricing formula where:

- The Put Option will be valued at 45.725% volatility.
- The Call Option will be valued at 45.725% volatility.
- The Risk Free rate will be determined by using the inter-bank offer deposit rate at the date of the Unwind Event.
- Dividend will be zero.
- For the unwind of the Transaction, the value of the Basket shall be calculated using the stock prices per Share at which the Bank repurchases the stock to close hedge from the Counterparty or in the open market on the exchange on which such stock is traded.

9. Additional Agreement of Counterparty.

Counterparty agrees that one Business Day prior to the Expiration Date of each Transaction it will give the Bank, irrevocable instructions to sell the Shares comprised in the Basket on the applicable Expiration Date, unless Counterparty has agreed to enter into a new Collar Transaction with the Bank having the same Strike

Price of Put (Floor Price) as the Strike Price of Put set forth above for such Transaction. If the Expiration Date occurs as a result of the occurrence of an Unwind Event, Counterparty hereby gives the Bank irrevocable instructions to sell the Shares comprised in the Basket on the applicable Expiration Date.

10. Taxes.

Counterparty will on demand indemnify the Bank for and against all stamp taxes and any other transfer taxes incurred by the Bank by reason of entering into the Transactions to which this Confirmation relates or settlement thereof in accordance with its terms.

11. Acknowledgment and Additional Representations.

Each party hereby acknowledges and agrees that the other party has engaged in (or has refrained from engaging in) substantial financial transactions and has taken other material actions in reliance upon the parties' entry into the Transactions to which this Confirmation relates on the terms and conditions set forth herein.

In addition to the representations set forth in the Agreement, Counterparty further represents that;

(a) Neither the Bank nor any of its affiliates has advised Counterparty with respect to any legal, regulatory, tax, accounting or economic consequences arising from the Transactions, and neither the Bank nor any of its affiliates is acting as agent, or advisor for Counterparty in connection with the Transactions.

(b) Counterparty further represents that it is not an "affiliate" of the Issuer, as such term is defined in Regulation 230.144(a)(1) under the Securities Act of 1933 (the "1933 Act"), nor is it a counterparty entering into the Transactions on behalf of the Issuer or any affiliate thereof.

(c) Counterparty represents that it is not in possession of any material non-public information concerning the business, operations or prospects of the Issuer and was not in possession of any such information at the time of placing any order with respect to the Transactions.

"Material" information for these purposes is any information to which an investor would reasonably attach importance in reaching a decision to buy, sell or hold any securities of the Issuer(s).

(d) Counterparty represents to the Bank (at all times until termination of the Transactions) that the Transactions is, and at all times will be, in full compliance with Counterparty's organizational and governing documents and investment policies and guidelines.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us by facsimile at (212) 525-5859.

Yours truly,
HSBC BANK USA

By: _____
Name:
Title:

By: _____
Name: SHAWN McCABE
Title: Assistant Vice President
ID # 12032

Confirmed as of the date first above written:

_____

HSBC Bank USA

TITANIUM TRADING PARTNERS LLC

By: Quellos Custom Strategies LLC
Name:
Title: the Investment Advisor to Titanium

By: Trading Partners LLC under Agreement
Name: dated September 2001
Title: by

Chuck Wilk
Principal
Quellos Group
Quellos Custom Strategies

HSBC Bank USA

Annex I:

Shares Comprised in the Basket

The Basket is composed of the specified Shares of the Issuers listed below in the relative proportions and numbers set out in relation to each Issuer below.

Issuer	Ticker Symbol	Price per Share	Number of Shares in Basket	Exchange
Adobe Systems Inc.	ADBE	USD 25.3018	172,800	Nasdaq NMS
Automatic Data Processing	ADP	USD 46.5344	173,300	New York Stock Exchange
Applied Materials Inc.	AMAT	USD 29.6057	70,000	Nasdaq NMS
AOL Time Warner Inc.	AOL	USD 32.5715	264,948.5	New York Stock Exchange
Biogen Inc.	BGEN	USD 53.1584	95,351.6	Nasdaq NMS
Clear Channel Communications	CCU	USD 38.7761	97,359.6	New York Stock Exchange
Cisco Systems Inc.	CSCO	USD 12.5506	200,000	Nasdaq NMS
Dell Computer Corp.	DELL	USD 18.6051	223,800	Nasdaq NMS
eBay Inc.	EBAY	USD 46.6758	318,146.2	Nasdaq NMS
Intel Corp.	INTC	USD 21.4840	115,000	Nasdaq NMS
Microsoft Corp.	MSFT	USD 52.1351	74,550	Nasdaq NMS
Nokia OYJ	NOK	USD 16.8658	90,000	New York Stock Exchange
Oracle Corporation	ORCL	USD 12.3191	90,000	Nasdaq NMS
Sprint Corp. (PCS Group)	PCS	USD 25.2670	175,600	New York Stock Exchange
Qwest Communications International	Q	USD 19.9605	233,918.1	New York Stock Exchange
Qualcomm Inc.	QCOM	USD 47.2022	57,500	Nasdaq NMS
Xilinx Inc.	XLNX	USD 25.7564	100,000	Nasdaq NMS

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Albert Yu/HBUS/HSBC
09/24/2001 05:17 PM

To Joseph M Petri/[redacted]
cc John GRIFF/[redacted]
Paganucci/[redacted]
Stewart/HB[redacted], Russell
bcc
Subject Saban transaction completed

Joe, as mentioned earlier,

the Saban loan+equity deriv transaction was committed by the client on Friday last week and is successfully executed by market close today. A quick recap of revenue as follows:

Derivatives & Structured Products	$ 4,740,000 upfront
DPB	up to $ 3,650,000 (of which $ 1,000,000 upfront & up to $ 2,650,000 of accrual over 120 days)
Brokerage+custody	est. $500,000

Rusty Schreiber (Derivatives & Structured Products), Mary Pan (DPB) have played critical roles over the last 5 months in getting this transaction done. Cecil Hollevoet of Legal has also helped tremendously in the complicated documentation process. Bob Treanor, Howard Ross & George Wendler of CRM have been very supportive and diligent throughout the credit approval process.

On this deal, I could see in the last several months a lot of teamwork and professionalism across all areas: Derivatives & Structured Products, DPB, HBUS & GHQ CRM, Legal, Market Risk, Section 16 Brokerage and Senior Management.

Albert

Titanium Trading Partners LLC

Daily Report as of November 13, 2001

Final Consolidated Profitability - 11/13/01[5]

Initial Equity Portfolio Value	$ (768,861,121)	
Current Equity Portfolio Value	898,788,205	
Estimated Gain/(Loss) on Equity Portfolio		$ 129,927,084
Initial Collar Cost	(31,523,306)	
Estimated Current Collar Value	(85,236,317)	
Estimated Gain/(Loss) on Collar		(116,759,623)
Total Investment Gain/(Loss)		13,167,461
Loan Fee [1]		(1,000,000)
Structuring Fee [2]		(7,688,611)
Interest Expense [3]		(2,451,467)
Estimated Total Net Gain/(Loss)		$ 1,827,183
Estimated Total Net Gain/(Loss) as a Percentage of Costs [4]		4.263%
Implied Annualized Return		35.63%

[1] Refers to the $800 million loan extended to Silverlight Enterprises, L.P. by HSBC Bank U.S.A.

[2] Included in the aggregate purchase price paid by Titanium Acquisition Corp. and C.Saban for their respective interests in Titanium Trading Partners LLC.

[3] Loan was paid off as of October 24th, 2001 and interest expense accrued through that date.

[4] Costs include initial collar cost, loan fee, structuring fee, and estimated interest expense.

[5] Based on indicative unwind pricing provided by HSBC Bank U.S.A.

Equity Portfolio Composition

Company	Ticker	Shares	Purchase Price	Purchase Amount	Final Price	Final Value	Gain/(Loss)
Adobe Systems Incorporated	ADBE	1,728,000	25.3018	$ 43,721,510	29.1018	$ 50,287,954	$ 6,566,443
Automatic Data Processing, Inc.	ADP	1,733,000	46.5344	80,644,115	54.5109	$ 94,467,390	13,823,275
Applied Materials, Inc.	AMAT	700,000	29.6057	20,723,990	39.1421	$ 27,399,470	6,675,480
AOL Time Warner Inc.	AOL	2,649,485	32.5715	86,297,701	36.6564	$ 97,120,582	10,822,881
Biogen, Inc.	BGEN	953,516	53.1584	50,687,385	54.7850	$ 52,238,326	1,550,941
Clear Channel Communications, Inc.	CCU	973,596	38.7761	37,752,256	42.9005	$ 41,767,731	4,015,475
Cisco Systems, Inc.	CSCO	2,000,000	12.5506	25,101,200	19.2940	$ 38,588,000	13,486,800
Dell Computer Corporation	DELL	2,238,000	18.6051	41,638,214	25.8064	$ 57,754,779	16,116,565
eBay, Inc.	EBAY	3,181,462	46.6758	148,497,284	57.6830	$ 183,516,353	35,019,068
Intel Corporation	INTC	1,150,000	21.4840	24,706,600	28.5689	$ 32,854,206	8,147,606
Microsoft Corporation	MSFT	745,500	52.1351	38,866,717	66.0669	$ 49,252,837	10,386,120
Nokia Corporation	NOK	900,000	16.8658	15,179,220	22.4935	$ 20,244,173	5,064,953
Oracle Corporation	ORCL	900,000	12.3191	11,087,190	15.2832	$ 13,754,858	2,667,668
Sprint PCS Group	PCS	1,756,000	25.2670	44,368,852	24.6889	$ 43,002,508	(1,366,344)
Qwest Communications International Inc.	Q	2,339,181	19.9605	46,691,222	11.5568	$ 27,033,388	(19,657,834)
QUALCOMM Incorporated	QCOM	575,000	47.2022	27,141,265	56.1004	$ 32,257,701	5,116,436
Xilinx, Inc.	XLNX	1,000,000	25.7564	25,756,400	37.2480	$ 37,247,950	11,491,550
Total				$ 768,861,121		$ 898,788,205	$ 129,927,084

Basket Gain/(Loss) Since Inception: 16.90%

Brian Hanson

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Chuck Wilk
Sent: Tuesday, October 23, 2001 9:33 AM
To: Brian Hanson; Christopher Hirata
Subject: FW: Silverlight/Saban loan payoffs

-----Original Message-----
From: Mary.Pan@[redacted]mailto:Mary.Pan@[redacted]
Sent: Tuesday, October 23, 2001 9:22 AM
To: achesnoff[redacted]; mkrane@[redacted]
Cc: cwilk@[redacted]
Subject: Silverlight/Saban loan payoffs

Overnight loan
9/21 - 9/24 3.75
217,000 paid at maturity

Following are the calculations for the loan payoffs as of tomorrow 10/24:

Silverlight Enterprises Loan O/S	$800,000,000.00	
Interest (9/21 - 10/24 at 2.6025 +1%)	$ 2,651,666.67	We get 2,641,833
Penalty (rate of 2.6025% -2.36%=0.2425% for 60 days)	$ 323,333.33	Ask Mary !!
Total due:	$802,975,000,00	

Haim Saban Loan O/S	$ 7,000,000.00	
Interest (10/9 - 10/24 at 2.5+1%	$ 10,208.25	9/24 - 10/24 3.6025
Penalty (rate of 2.5%-2.36%=0.14% for 60 days)	$ 1,633.33	
Total due:	$ 7.011,841.58	

The overnight interest for Silverlight 9/21-9/24 amounted to $166,666.67 at 2.5%. The interest is in Silverlight's account with us currently.
Please do not hesitate to give me a call if you have any queries or questions.
We have arranged for Mr. Leo to pick up the FFW shares today at our LA office and I will coordinate with them to make sure there will not be any problems.
Regards,
Mary

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 402

9/26/01 email

Adam Chesnoff, Haim Saban, Matthew Krane

Chris M. Hirata, Chuck H. Wilk, Jeff I. Greenstein, Richard B. Sachs

Daily Performance Update as of September 26, 2001 - Mr. Saban,

Attached please find the daily performance update for Titanium Trading Partners LLC on behalf of Chuck Wilk. This update is a consolidation of the two reports you received yesterday which includes the aggregate investment performance estimate as well as the detailed equity portfolio composition and performance.

As always, please feel to contact Chuck if you have any questions.

Titanium Trading Partners LLC

Daily Report as of September 26, 2001

Estimated Consolidated Profitability

Initial Equity Portfolio Value	$ (768,861,121)	
Current Equity Portfolio Value	744,919,597	
Estimated Gain/(Loss) on Equity Portfolio		$ (23,941,524)
Initial Collar Cost	(31,469,306)	
Estimated Current Collar Value	40,053,411	
Estimated Gain/(Loss) on Collar		8,584,105
Total Investment Gain/(Loss)		(15,357,419)
Loan Fee [1]		(1,000,000)
Structuring Fee [2]		(7,688,611)
Estimated Interest Expense [3]		(215,556)
Estimated Total Net Gain/(Loss)		$ (24,261,586)

[1] Refers to the $800 million loan extended to Silvarlight Enterprises, L.P. by HSBC Bank U.S.A.

[2] Included in the aggregate purchase price paid by Titanium Acquisition Corp. and C. Saban for their respective interests in Titanium Trading Partners LLC.

[3] Interest expense is inception-to-date.

Equity Portfolio Composition

Company	Ticker	Shares	Purchase Price	Purchase Cost	Current Price	9/26/01 Value	Gain/(Loss)
Adobe Systems Incorporated	ADBE	1,728,000	25.3018	$ 43,721,510	23.9100	$ 41,316,480	$ (2,405,030)
Automatic Data Processing, Inc.	ADP	1,733,000	46.5344	80,644,115	44.2500	76,685,250	(3,958,865)
Applied Materials, Inc.	AMAT	700,000	29.6057	20,723,990	29.1300	20,391,000	(332,990)
AOL Time Warner Inc.	AOL	2,649,485	32.5715	86,297,701	32.2500	85,445,891	(851,809)
Biogen, Inc.	BGEN	953,516	53.1584	50,687,385	54.6100	52,071,509	1,384,124
Clear Channel Communications, Inc.	CCU	973,596	38.7761	37,752,256	38.4300	37,463,974	(288,282)
Cisco Systems, Inc.	CSCO	2,000,000	12.5506	25,101,200	12.2300	24,460,000	(641,200)
Dell Computer Corporation	DELL	2,238,000	18.6051	41,638,214	18.1600	40,642,080	(996,134)
eBay, Inc.	EBAY	3,181,462	46.6758	148,497,284	44.0400	140,111,586	(8,385,698)
Intel Corporation	INTC	1,150,800	21.4840	24,706,600	20.9000	24,035,000	(671,600)
Microsoft Corporation	MSFT	745,500	52.1351	38,866,717	50.2700	37,476,285	(1,390,432)
Nokia Corporation	NOK	900,000	16.8658	15,179,229	16.0800	14,472,000	(707,220)
Oracle Corporation	ORCL	900,000	12.3191	11,087,190	12.2000	10,980,000	(107,190)
Sprint PCS Group	PCS	1,756,000	25.2670	44,368,852	26.0300	45,708,680	1,339,828
Qwest Communications International, Inc.	Q	2,339,181	19.9605	46,691,222	19.4000	45,380,111	(1,311,111)
QUALCOMM Incorporated	QCOM	575,000	47.2022	27,141,265	46.3300	26,639,750	(501,515)
Xilinx, Inc.	XLNX	1,000,000	25.7564	25,756,400	21.6400	21,640,000	(4,116,400)
Total				$ 768,861,121		$ 744,919,597	$ (23,941,524)

Brian Hanson

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Russell.Schreiber@[redacted]
Sent: Monday, November 12, 2001 3:58 PM
To: Brian Hanson
Cc: Dale Ramquist; Christopher Hirata
Subject: RE: Partial buyout of Collar

All the following are for value 15-November-2001.

We purchase the following shares from TTP:

Ticker	Shares	Price
ADBE	1,296,000	28.8805
ADP	1,299,750	54.5147
AMAT	525,000	38.8496
AOL	1,987,114	36.4284
BGEN	715,137	54.6455
CCU	730,197	42.2173
CSCO	1,500,000	19.1515
DELL	1,678,500	25.6191
EBAY	2,386,096	57.4647
INTC	862,500	28.4093
MSFT	559,125	65.8246
NOK	675,000	22.3232
ORCL	675,000	15.3539
PCS	1,317,000	24.4271
Q	1,754,386	11.4590
QCOM	431,250	55.8509
XLNX	750,000	36.9344

Simulatenouly, we cancel 75% pro-rata of each the 10 maturites:

Maturity Date	Net
17-Dec-01	(5,987,390.94)
18-Dec-01	(6,007,150.11)
19-Dec-01	(6,026,410.88)
20-Dec-01	(6,045,199.35)
21-Dec-01	(6,063,539.82)
24-Dec-01	(6,116,084.09)
26-Dec-01	(6,149,235.45)
27-Dec-01	(6,165,297.39)
28-Dec-01	(6,181,036.51)
31-Dec-01	(6,226,449.21)

Total of the Coresponding Collar Buyout to date: (60,967,793.75)

Net Cash in account:

Proceeds from Stock	670,618,941.59
Collar Buyout	(60,967,793.75)
Total Cash	609,651,147.84

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 404

Brian Hanson

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Russell.Schreiber@[redacted]
Sent: Tuesday, November 13, 2001 8:14 AM
To: Brian Hanson
Cc: Dale Ramquist; Christopher Hirata
Subject: RE:

All the following are for value 16-November-2001.

We purchase the following shares from TTP:

Ticker	Shares	Price	Value
ADBE	432,000	29.7658	12,858,825.60
ADP	433,250	54.4995	23,611,908.38
AMAT	175,000	40.0196	7,003,430.00
AOL	662,371	37.3404	24,733,198.09
BGEN	238,379	55.2033	13,159,307.45
CCU	243,399	44.9500	10,940,785.05
CSCO	500,000	19.7215	9,860,750.00
DELL	559,500	26.3684	14,753,119.80
EBAY	795,366	58.3380	46,400,061.71
INTC	287,500	29.0476	8,351,185.00
MSFT	186,375	66.7936	12,448,657.20
NOK	225,000	23.0045	5,176,012.50
ORCL	225,000	15.0710	3,390,975.00
PCS	439,000	24.6743	10,832,017.70
Q	584,795	11.8501	6,929,879.23
QCOM	143,750	56.8487	8,172,000.63
XLNX	250,000	38.1886	9,547,150.00

Total Proceeds from sale of shares 228,169,263.33

Simulatenouly, we cancel the remaining 25% pro-rata of each the 10 maturites:

Maturity Date	Buyout Amount
17-Dec-01	(2,387,889.86)
18-Dec-01	(2,394,889.42)
19-Dec-01	(2,401,724.44)
20-Dec-01	(2,408,402.67)
21-Dec-01	(2,414,931.10)
24-Dec-01	(2,433,680.44)
26-Dec-01	(2,445,540.30)
27-Dec-01	(2,451,293.76)
28-Dec-01	(2,456,935.77)
31-Dec-01	(2,473,235.32)

Collar Unwind (24,268,523.07)

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 405

Date: November 12, 2001

To: Titanium Trading Partners LLC

Attention: Chuck Wilk

Phone Number: (206) 613-6700

Facsimile Number: (206) 613-6713

Re: Reference # RNEO10252

From: HSBC Bank USA

Contact: Byron Rennick

Phone Number: (212) 525-3684

Facsimile Number: (212) 525-5859

Dear Sirs:

Reference is made to the 10 Transactions entered into between HSBC Bank USA (the "Bank") and Titanium Trading Partners LLC ("Counterparty") on September 24, 2001, evidenced by a single Confirmation dated as of October 17.

This is to confirm that an Unwind Event (as defined in the Confirmation) in respect of 75% of the Notional Amount of each Transaction has occurred on November 12, 2001. In connection with such Unwind Event, Counterparty agrees to pay USD 60,967,793.75 to the Bank for value November 15, 2001.

As a result of the partial Unwind, the Option Entitlement for each Transaction is hereby amended to 0.25 Baskets per Option.

All other terms of each of the Transactions remain unchanged and are hereby affirmed.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us by facsimile at (212) 525-5859.

Yours truly,
HSBC BANK USA

By: _____
Name:
Title: ASSISTANT VICE PRESIDENT
ID # 12103

By: _____
Name: SUSAN ZUCAL
Title: ASSISTANT VICE PRESIDENT
ID # 11362

Confirmed as of the date first above written:

TITANIUM TRADING PARTNERS LLC

By: Quellos Custom Strategies, LLC
Name:
Title: The Investment Advisor to Titanium Trading Partners LLC

By: by Chuck Wilk
Name:
Title:

Ref: RNEO10252

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 406

PSI-QUEL 24475

HSBC

HSBC Bank USA
452 Fifth Avenue
New York, NY 10018
Fax: (212) 525-5859

November 14, 2001

Titanium Trading Partners LLC

Attn: Chuck Wilk
Fax: (206) 613-6713

AMENDED TRANSACTION CANCELLATION AGREEMENT

This letter agreement (hereinafter referred to as the "Cancellation Agreement"), dated as of November 13, 2001, is made between HSBC Bank USA ("Party A") and Titanium Trading Partners, LLC ("Party B").

WHEREAS, Party A and Party B entered into the following Share Basket Collar Transaction (the "Transaction"):

> Party A Reference RNEO10252 with a Trade Date of September 24, 2001, a Put Strike Price of USD 76,886,112.13, and a Call Strike Price of USD 83,037,001.10.

WHEREAS, subject to the terms and provisions hereof, Party A and Party B wish to cancel the Transaction.

NOW, THEREFORE, in consideration of the mutual premises herein, Party A and Party B agreed on November 13, 2001, the following:

1. The Transaction shall be terminated and cancelled with effect from and including November 16, 2001 (the "Cancellation Date"), and all rights, duties, claims and obligations of Party A and Party B thereunder shall be released and discharged with effect from and including the Cancellation Date without prejudice to any such rights, duties, claims and obligations which arose prior to the Cancellation Date.

2. In consideration of the cancellation of the Transaction as outlined above, Party B agrees to pay the sum of USD 24,268,523.07 to Party A for value November 16, 2001.

3. This Cancellation Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which shall be deemed to be one and the same instrument.

4. This Cancellation Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to choice of law doctrine and each party hereby submits to the jurisdiction of the Courts of the State of New York.

5. Each of Party A and Party B represents to the other that it has entered into this Cancellation Agreement in reliance upon such tax, accounting, regulatory, legal, and financial advice as it deems necessary and not upon any view expressed by the other.

HSBC Bank USA

6. Accounts Details

Payments to Party A: HSBC Bank USA
ABA # 021-001-088
For Credit to Department 299
A/C: 000-04929-8
HSBC Derivative Products Group

IN WITNESS WHEROF, each of the parties hereto has caused this Cancellation Agreement to be executed by its officers duly authorized and empowered with effect from the date first written above.

HSBC BANK USA

By: _____
Authorized Signature
BYRON [illegible]
ASSISTANT VICE PRESIDENT
ID # 12103

By: _____
Authorized Signature
SUSAN ZUCAL
ASSISTANT VICE PRESIDENT
ID # 11362

TITANIUM TRADING PARTNERS LLC

By: Quellos Custom Strategies LLC
Name:
Title: the Investment Advisor
to Titanium Trading Partners LLC
by Chuck Wills

EA Investment Services Limited
C/o Citco Building
Wickhams Cay
PO Box 662
Road Town, Tortola
British Virgin Islands

Titanium Trading Partners LLC
19 Mount Havelock
Douglas
Isle of Man
IM1 2QG

November 16, 2001

Dear Sirs,

We refer to the 1000 covered call warrants issued by Titanium Trading Partners LLC on September 11, 2001 relating to a basket of shares in various US technology companies (the "Warrants" or "Global Warrant"), all of which were subscribed for by EA Investment Services Limited pursuant to the terms of a subscription agreement of the same date (the "Subscription Agreement"). We also refer to the sale by Titanium Trading Partners LLC of the Basket Shares which we believe took place on November 13, 2001 (the "Sale Date").

Capitalised terms not otherwise defined in this letter shall bear the same meanings given to them in the Subscription Agreement and/or in the Global Warrant.

The purpose of this letter is to confirm that:

(a) on the understanding that the Warrants are now uncovered as a result of such sale, we have immediately exercised our Put Right with respect to all of the Warrants outstanding (all of which continue to be held by EA Investment Services Limited as of today's date); and
(b) the Issuer Account as of today's date is credited with $345,273,000 (being the sum of the subscription monies for the Warrants) together with $2,148,365.33 accrued interest (giving a total credit balance of $347,421,365.33.

In the exercise of the Put Right, we hereby deliver all of the Warrants to you and relinquish in full any future entitlement with respect thereto and, in accordance with clause 6(c) of the Subscription Agreement, shall forthwith treat the payment by you for such Warrants as having been satisfied by us debiting in full the total amount currently standing to the credit of the Issuer Account (including accrued interest).

This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This letter shall be governed by and construed in accordance with English law.

Please indicate your acceptance of the above by signing and returning to us a copy of this letter enclosed for that purpose.

Yours sincerely,

.....

Tortola Corporation Company Limited
For and on behalf of **EA Investment Services Limited**

Accepted and agreed

.....

For and on behalf of **Titanium Trading Partners LLC**

EA Investment Services Limited
Citco Building
Wickhams Cay
P.O. Box 662
Road Town, Tortola
British Virgin Islands

Statement of Account
Period ended 31 December 2001
USD Client Account
Statement - 001

Titanium Trading Partners LLC
19 Mount Havelock
Douglas
Isle of Man
IM1 2QG

Trade Date	Value Date		Debit	Credit	USD Balance
1-Jul-01	1-Jul-01	Balance Brought Forward			0.00
21-Sep-01	21-Sep-01	Transfer Incoming Funds		345,273,000.00	345,273,000.00
16-Nov-01	16-Nov-01	Wire Transfer - A001	347,421,365.33		(2,148,365.33)
16-Nov-01	16-Nov-01	Interest to 16-Nov-2001		2,148,365.33	0.00
31-Dec-01	31-Dec-01	Total Debits / Credits	347,421,365.33	347,421,365.33	
		Closing Balance			0.00

Certified as correct by:

.....

Director, on behalf of
EA Investment Services Limited

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 408

PSI-QUEL 23701

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer unto: **Titanium Acquisition Corporation,** a Delaware corporation, Fifteen Thousand Fifty-Eight (15,058) shares, of Class B Common Stock, par value $0.001 per share, of **Fox Family Worldwide, Inc.,** a Delaware corporation, standing in the name of **Haim Saban** on the books of said Corporation represented by certificate No. 21 delivered herewith and does hereby irrevocably constitute and appoint Jack D. Samuels attorney to transfer the said stock on the books of the within named Corporation with full power of substitution.

Dated: October 22, 2001

HAIM SABAN

THE SIGNATURE(S) ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE.

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer unto: **Cheryl Saban**, One Million Three Hundred Seventeen Thousand Five Hundred Four (1,317,504) shares, and **Titanium Acquisition Corporation**, a Delaware corporation, Two Million Four Hundred Twenty Thousand Three Hundred Forty (2,420,340) shares, of Class B Common Stock, par value $0.001 per share, of **Fox Family Worldwide, Inc.**, a Delaware corporation, formerly known as **Fox Kids Worldwide, Inc.**, standing in the name of **Haim Saban, as Trustee of the Alpha Family Trust, U/D/T dated May 5, 1997**, on the books of said Corporation represented by certificate No. 19 delivered herewith and does hereby irrevocably constitute and appoint Jack D. Samuels attorney to transfer the said stock on the books of the within named Corporation with full power of substitution.

Dated: October 22, 2001

HAIM SABAN, AS TRUSTEE OF THE ALPHA FAMILY TRUST, U/D/T DATED MAY 5, 1997

THE SIGNATURE(S) ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE.

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer unto: **Glen Gale Corporation,** a Delaware corporation, Thirty-Five Thousand Eight Hundred Seventy-Three (35,873) shares, and **Titanium Acquisition Corporation,** a Delaware corporation, OneMillion Two Hundred Eighty-One Thousand Six Hundred Thirty-One (1,281,631) shares, of Class B Common Stock, par value $0.001 per share, of **Fox Family Worldwide, Inc.,** a Delaware corporation, standing in the name of **Cheryl Saban** on the books of said Corporation represented by certificate No. 24 delivered herewith and does hereby irrevocably constitute and appoint Jack D. Samuels attorney to transfer the said stock on the books of the within named Corporation with full power of substitution.

Dated: October 22, 2001

CHERYL SABAN

THE SIGNATURE(S) ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 409

KS-00001026

2647

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer unto: **Glen Gale Corporation,** a Delaware corporation, OneThousand Six Hundred Seventy-Three (1,673) shares, of Class B Common Stock, par value $0.001 per share, of **Fox Family Worldwide, Inc.,** a Delaware corporation, standing in the name of **Cheryl Saban** on the books of said Corporation represented by certificate No. 20 delivered herewith and does hereby irrevocably constitute and appoint Jack D. Samuels attorney to transfer the said stock on the books of the within named Corporation with full power of substitution.

Dated: October 22, 2001

CHERYL SABAN

THE SIGNATURE(S) ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 409

KS-00001035

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer unto: **Titanium Trading Partners LLC,** a Delaware limited liability company, Three Million Seven Hundred Seventeen Thousand Twenty-Nine (3,717,029) shares, of Class B Common Stock, par value $0.001 per share, of **Fox Family Worldwide, Inc.,** a Delaware corporation, standing in the name of **Titanium Acquisition Corporation,** a Delaware corporation, on the books of said Corporation represented by certificate No. 26 delivered herewith and does hereby irrevocably constitute and appoint Jack D. Samuels attorney to transfer the said stock on the books of the within named Corporation with full power of substitution.

Dated: October 22, 2001

TITANIUM ACQUISITION CORPORATION

By: _____
Haim Saban, President

THE SIGNATURE(S) ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE.

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer unto: **Titanium Trading Partners LLC,** a Delaware limited liability company, Thirty-Seven Thousand Five Hundred Forty-Six (37,546) shares, of Class B Common Stock, par value $0.001 per share, of **Fox Family Worldwide, Inc.,** a Delaware corporation, standing in the name of **Glen Gale Corporation,** a Delaware corporation, on the books of said Corporation represented by certificate No. 25 delivered herewith and does hereby irrevocably constitute and appoint Jack D. Samuels attorney to transfer the said stock on the books of the within named Corporation with full power of substitution.

Dated: October 22, 2001

GLEN GALE CORPORATION

By: _____
Cheryl Saban, President

THE SIGNATURE(S) ON THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE.

6/4/02 email

Matthew Krane Brian M. Hanson, Chuck H. Wilk, Jeffrey K. Feinglas

Matt,
Attached is a copy of the WRITTEN CONSENT OF THE SOLE DIRECTOR OF TITANIUM ACQUISITION CORPORATION prepared by Bryan Cave with respect to the paid-in-capital account. Bryan Cave has indicated to us that any amounts that are not declared as paid-in-capital are considered surplus under Delaware law. The resolution should be dated 9/24/01.
Finally, I have yet to hear from Euram (UK bank holidays) regarding an amendment/side letter to the Assignment of Rights agreement concerning the net interest amount in the Holding Account. I am working to resolve this as quickly as possible.
If you have any questions regarding these issues, please feel free to contact either Jeff or myself.

9/25/02 email

Arfan Shaikh — Brian M. Hanson, Chuck H. Wilk

Arfan,

In connection with the opinion that is being drafted by Bryan Cave for Titanium Trading Partners, LLC, we need to construct what has been deemed the "books and records" of TTP. Bryan Cave is opining to certain elements of the transaction that require that they have seen such books and records. Having talked with Chuck, we would envision the books and records to include, but not be limited to, the following:

Accounting records
Board Resolutions
Meeting Notes
Other Agreements

Clearly you know more about what is available to us than I can speculate so please use your judgement and know that more information is better than less. Also, we are just looking for Jackstones/Barnville/Euram records that pertain to the events leading up to the formation, funding and sale of TTP.

Chuck said that he recently brought this up with John (not to be confused with the reps that Euram intends to provide) so John may be able to add a little more color. You can also give me a call for more input and perhaps we can patch BC in if necessary. In order to give BC enough time to digest to information, we need to have something by the end of the month. I hope this is a reasonable deadline.

Thanks in advance your you help.

Best regards,
Brian

Brian M. Hanson

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Shaikh Arfan [Arfan.Shaikh[redacted]
Sent: Wednesday, October 02, 2002 2:52 AM
To: 'Brian M. Hanson'
Cc: Puri Rajan; Staddon John
Subject: RE: TTP Books and Records

QUELLOS SABAN DOCUMENTS LIST.d...

Brian

I'm couriering over the Saban material today so you should get it tomorrow. I have attached the documents list so you know what you will get. You should, however, note the following:

1 All the documents have been executed by our counterparties (by which I mean Barnville, Jackstones, European American Investment Corporate Services, EA Investment Services and Titanium Trading Partners (for the brief time we were the managing member)). A number of documents have not been signed by your counterparties. As you know, I have chased for these signatures on many occasions (and I know you have also done this). I expect as a quid pro quo for providing all these documents that we will receive a full bible of transaction documents that were executed.

2 I have no confidence that the documents that I am sending you were the ones that were shown or signed by your clients. I think that the body of the documents are fine but I do recall that cash flows and maybe the portfolio of stock was adjusted at the last minute without our involvement. For this reason, I would ask that you look at the schedules of the relevant agreements to ensure that the stocks, numbers and purchase price are as you understand them to be.

3 In particular, the irrevocable instructions to HSBC present me with the biggest problems. These were changed on a number of occasions (even though they were meant to be "irrevocable") and we were not involved in any of these alterations. I chased HSBC for their countersignature on these documents for months and finally got some unsatisfactory faxed signature pages where the numbers had been altered (without our prior consent). I would recommend that you check these very thoroughly before handing them over to the lawyers.

4 We had no involvement in Titanium Trading Partners (other than negotiating the Operating Agreement) and Titanium Aqcuisition Corp. We therefore can contribute very little to the books and records of these companies.

5 Because of my comments at 2 and 3, we have difficulties in producing the relevant extracts from the books and records of Barnville and Jackstones because we are not convinced that the cashflows we have recorded accurately reflect the final transaction. Also note that if records are sent, they will only be an extract that relate to the Saban transaction (as we have done a number of Point trades involving Barnville and Jackstones). I have asked Raj to liase with you directly on this point.

6 We are still reviewing the draft reps that you have sent to me. You will appreciate that the uncertainties recounted above present us with difficulties signing off on the representations as drafted.

Perhaps you could give me a call to discuss these issues.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 414

PSI-QUEL 26915

Arfan

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Brian M. Hanson [mailto:bhanson[redacted]
Sent: 30 September 2002 18:06
To: 'Arfan Shaikh (Euram)'
Subject: FW: TTP Books and Records

Arf - FYI. Wednesday or Thursday would be best. We need to make sure BC can digest the information in time to opine to it.

-----Original Message-----
From: Chuck Wilk
Sent: Monday, September 30, 2002 10:04 AM
To: Brian M. Hanson
Subject: Re: TTP Books and Records

No later than eow. Eow is tight time frame.
-----Original Message-----
From: Brian M. Hanson <bhanson@[redacted] <mailto:b[redacted]
To: Chuck Wilk <cwilk@[redacted] <mailto:cwilk@[redacted]>
Sent: Mon Sep 30 08:47:33 2002
Subject: FW: TTP Books and Records

Should have everything including the BV and Euram reps by eow.
-----Original Message-----
From: Shaikh Arfan [mailto:Arfan.Shaikh@[redacted]]
<mailto:[mailto:Arfan.Shaikh@[redacted]
Sent: Monday, September 30, 2002 8:40 AM
To: 'Brian M. Hanson'
Subject: RE: TTP Books and Records

I've had all the books and records material i have and had it copied. I got a copy of the reps that you want Barnville and Euram to give today - I'm tied up for the rest of the day but should have a chance to look at it tomorrow. I should be able to send you everything towards the end of the week.
-----Original Message-----
From: Brian M. Hanson [mailto:bhanson@[redacted]
<mailto:[mailto:bhanson@[redacted]>
Sent: 30 September 2002 16:40
To: 'Arfan.Shaikh@[redacted]
Subject: RE: TTP Books and Records

Arfan -
I haven't heard anything from you but we are looking for an update on where we stand with respect to this project. Can you give me an update and a timeline for completion. If you have questions, please call me right away.
Thanks,
Brian

-----Original Message-----
From: Brian M. Hanson
Sent: Wednesday, September 25, 2002 4:55 PM
To: 'Arfan.Shaikh@[redacted]
Cc: Chuck Wilk

Subject: TTP Books and Records

Arfan,
In connection with the opinion that is being drafted by Bryan Cave for Titanium Trading Partners, LLC, we need to construct what has been deemed the "books and records" of TTP. Bryan Cave is opining to certain elements of the transaction that require that they have seen such books and records. Having talked with Chuck, we would envision the books and records to include, but not be limited to, the following:
Accounting records
Board Resolutions
Meeting Notes
Other Agreements

Clearly you know more about what is available to us than I can speculate so please use your judgement and know that more information is better than less. Also, we are just looking for Jackstones/Barnville/Euram records that pertain to the events leading up to the formation, funding and sale of TTP. Chuck said that he recently brought this up with John (not to be confused with the reps that Euram intends to provide) so John may be able to add a little more color. You can also give me a call for more input and perhaps we can patch BC in if necessary. In order to give BC enough time to digest to information, we need to have something by the end of the month. I hope this is a reasonable deadline.
Thanks in advance your you help.
Best regards,
Brian

BRYAN CAVE

BRYAN CAVE ROBINSON SILVERMAN

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In Association With
Bryan Cave Illinois
Chicago

and Bryan Cave,
A Multinational
Partnership
London

October 14, 2002

Saban Capital Group, Inc.
(Formerly 5161 Corporation)
General Partner of Silverlight Enterprises, L.P.
10100 Santa Monica Boulevard
Los Angeles, CA 90067

Re: U.S. Federal Income Tax Opinion for Silverlight Enterprises, L.P.

Ladies and Gentlemen:

In your capacity as the general partner of Silverlight Enterprises, L.P. ("Silverlight"), a California limited partnership, you have requested our opinion regarding certain United States ("U.S.") Federal income tax consequences resulting from the distributions of property by Silverlight to Haim Saban ("HS"), Cheryl Saban ("CS"), and Cassano Associates ("Cassano"), a California general partnership. Specifically, Silverlight simultaneously distributed: (i) all of the shares of stock of Titanium Acquisition Corporation ("TAC") to HS and CS, and (ii) a debenture (issued by TAC to Silverlight) to Cassano, in complete liquidation of HS', CS' and Cassano's limited partnership interests in Silverlight (the "Transaction").

Based upon our understanding of the facts and assumptions of the Transaction as described herein, it is our opinion that it is more likely than not that the conclusions set forth in the "Opinions" discussion would be upheld by a court if they were challenged by the Internal Revenue Service (the "Service") and fully litigated on the merits. Any conclusion set forth in this letter that an issue "should," "would," "likely," or "will" be resolved in a particular manner means only that it is our opinion that it is more likely than not that a court would sustain that conclusion.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

FACTS

Based upon discussions with HS, Matthew G. Krane, Esquire ("MK"), and Chuck Wilk ("CW") of Quellos Custom Strategies, LLC ("Quellos"), a financial advisory firm, and based upon the representations which HS, MK, CW, and other parties have supplied to us, we understand the facts preceding and involving the Transaction to be as follows:

In December 1992, HS and CS, who was then and is currently the spouse of HS, jointly formed Glass Wave Enterprises, L.P. ("Glass Wave"), a California limited partnership, with HS as the general partner and CS as the limited partner. HS and CS each contributed to Glass Wave 139.38 shares of Saban Entertainment, Inc. ("SEI") stock.[1] CS settled four irrevocable trusts under California law, [redacted]

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DESCRIPTION OF PARTNERSHIP MEMBERS

Trusts then jointly formed Golden Melody Associates ("Golden Melody"), a California general partnership, while [redacted] Trusts jointly formed Cassano. Glass Wave and Golden Melody formed Silverlight, with Glass Wave as the general partner and Golden Melody as the limited partner. We understand that Silverlight was formed for the purpose of making investments primarily in equity and debt instruments. Under the Limited Partnership Agreement of Silverlight, dated December 22, 1992:

a. Glass Wave contributed to Silverlight 278.76 shares of SEI stock and cash in exchange for a 97% Class A interest and a 97% Class B interest in the partnership, respectively.

b. Golden Melody contributed cash to Silverlight in exchange for a 3% Class A interest and a 3% Class B interest in the partnership.

c. The holders of the Class A interests were entitled to an annual guaranteed payment of 10% of the capital contributed by them for their Class A interests (the "Guaranteed Payment").

Cassano purchased from Glass Wave one-half of Glass Wave's Class A interest in Silverlight, and became a limited partner in Silverlight. Glass Wave, Golden Melody and Cassano then entered into an Amended and Restated Limited Partnership Agreement of Silverlight, dated December 29, 1992, reflecting Cassano's entry into Silverlight as a new limited partner. On

[1] HS previously had sold CS 139.38 shares of SEI stock.

[2] [redacted]

February 5, 1993, Cassano purchased the remainder of Glass Wave's Class A interest in Silverlight, and the parties entered into a Second Amended and Restated Limited Partnership Agreement of Silverlight, dated February 5, 1993, reflecting the resulting change in ownership. (*See* footnote 20 below.)

By the middle of 1995, HS was convinced that the key to fully realizing the potential value of SEI's "content" assets, including *Power Rangers*, was the control of a source of widespread television distribution in the U.S. To that end, HS began discussions with Fox Broadcasting Company ("FBC" or "Fox"), the owner of the Fox Children's Network and the Fox television network, to find a way to "marry" SEI's content with FBC. After exploring numerous proposed structures and arrangements, in December 1995, FBC, SEI and HS entered into a series of agreements, collectively referred to as the "Strategic Alliance." As part of the Strategic Alliance, SEI, HS, the shareholders of SEI which included Silverlight, and FBC entered into a Strategic Stockholders Agreement (the "SSA") dated December 22, 1995, the terms of which included:

1. SEI's shareholders were subject to certain restrictions on transferring their SEI stock.

2. No SEI stock could be voluntarily subjected to any lien (hereinafter referred to as the "No-Lien Clause").

3. HS was granted the right (the "Put Option") on the occurrence of certain events ("Put Triggering Events") to require FBC to purchase all of his and the other SEI shareholders' SEI stock.

4. The Put Triggering Events were (i) HS' death, (ii) a change in control of FBC, (iii) any time after seven years but prior to seventeen years from the date of the SSA, and (iv) the fifth anniversary of the SSA, *i.e.*, December 22, 2000.

5. In order to exercise the Put Option with respect to the fifth anniversary of the SSA, HS had to give notice to FBC no later than 180 days prior to that anniversary, or June 25, 2000.

Under a Stock Ownership Agreement ("SOA") executed as part of the Strategic Alliance, generally, HS and the SEI shareholders granted Fox Kids Worldwide L.L.C. ("FKLLC"), a Delaware limited liability company,[3/] the right (the "Call Option") upon the occurrence of certain events ("Call Triggering Events") to purchase all of the SEI stock of HS and the other shareholders (including Silverlight). The Call Triggering Events for the exercise of the Call Option were (i) the death of HS, (ii) any time after seven years and prior to seventeen years from the date of the SOA, and (iii) the exercise by HS of the Put Option. In the event both

[3/] Its "Class B Members" were SEI and FCN Holding Company ("FCNH"), and its "Class A Member" was FBC.

the Put Option and Call Option were exercised, the SSA provided that the Call Option would in all cases be effective in lieu of the Put Option.

The SSA required the parties to use reasonable efforts to reach agreement on the fair market value of the entities to be valued.[4/] If the parties could not agree on the Fair Market Value, the SSA provided for an appraisal/arbitration mechanism for the conclusive determination of Fair Market Value (the "Appraisal Mechanism").

In 1997, several restructuring transactions took place. The Call Option was distributed by FKLLC to FCNH. In a tax-free exchange transaction[5/] HS and the other shareholders of SEI exchanged their SEI stock for 49.5% of the common stock of Fox Kids Worldwide, Inc. ("FKWW"), a Delaware corporation formed to be the holding company of the Strategic Alliance businesses; Fox Broadcasting Sub, Inc. ("FBSI"), the 98% parent of FCNH, contributed its FCNH stock for 49.5% of the common stock of FKWW; and Allen & Company exchanged its 2% of the FCNH stock for the remaining 1% of the common stock of FKWW. FKWW issued debt to FBC in complete liquidation of FBC's interest in FKLLC. Shareholders of SEI, FBSI, FBC, and Allen & Company entered into a Restated and Amended Strategic Stockholders Agreement dated August 1, 1997, (the "Amended SSA") amending and restating the SSA to reflect the reorganization. The Amended SSA contained restrictions on the transfer of the parties' FKWW stock similar to those contained in the SSA with respect to the SEI stock. The Amended SSA also retained the No-Lien Clause with respect to the FKWW stock. HS' Put Option was made applicable to the FKWW stock, and the definition of Fair Market Value in the SSA was carried over *verbatim* to the Amended SSA, as was the Appraisal Mechanism. Some time later, FKWW changed its name to Fox Family Worldwide, Inc. and is hereinafter referred to as "FFWW."

In 2001 (the taxable year for which we have been asked to render U.S. Federal income tax opinions to Silverlight), Silverlight held stock in FFWW as well as a portfolio of publicly traded securities and noncontrolling interests in several investment partnerships. HS held a significant limited partnership interest in Silverlight; HS also was the sole shareholder of 5161 Corporation ("5161"), a California S corporation,[6/] the general partner of Silverlight (as

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[4/] "Fair Market Value" was defined in the SSA to mean the value determined "on the basis of the businesses, properties, historical financial performance and financial condition, projections and prospects for the further growth of the entity or entities whose Fair Market Value is being determined."

[5/] The transaction was executed pursuant to Internal Revenue Code section 351; unless otherwise noted, all "section" references are to the Internal Revenue Code of 1986, as amended and in effect (the "Code"), and all "Regulations" and "Treas. Reg." references are to the Treasury Department's regulations promulgated under the Code.

[6/] Section 1361(a) defines the term S corporation, generally, as a "small business corporation" for which an election under section 1362(a) is in effect for such year. A small business corporation, in turn, is defined as a domestic corporation, which is not an ineligible corporation, and which does not have more than 75 shareholders, shareholders who are not individuals (except generally for certain defined estates, trusts, and charitable organizations), nonresident alien shareholders, and more than one class of stock. Section 1362(a)

successor to Glass Wave, see discussion below). CS also had a limited partnership interest in Silverlight. HS, CS and [redacted] Trust [redacted] of which HS was the owner for U.S. Federal income tax purposes, personally held stock in FFWW which accounted for a significant percentage of HS' and CS' individual net worths. (HS, CS, Alpha and Silverlight are referred to collectively hereinafter as the "Saban Shareholders.")

Toward the end of 1999, it had become clear to HS that the overall business objectives of FBC and FBC's parent, News Corp. ("News"), were inconsistent with the steps that he felt were necessary to achieve the level of growth in FFWW that would justify holding such a large portion of his and CS' net worth in FFWW stock. This was manifested both in actions taken by News in pursuit of its other businesses that impacted or had the potential to impact businesses of FFWW in a negative way and in the exercise by Fox of the governance powers granted to it in the Amended SSA to block FFWW from taking actions HS thought were needed to achieve the requisite growth of FFWW's businesses.

Consequently, HS commenced efforts to negotiate a restructuring of his relationship with Fox that would alleviate these problems. HS soon realized, however, that he would have to also focus on finding ways to monetize at least a portion of the FFWW stock held by the Saban Shareholders in the event he was unable to achieve a satisfactory resolution with Fox in a reasonable amount of time. HS believed monetization of the FFWW stock would yield two benefits. First, it would provide a way to diversify his holdings, and second, it would allow him to capitalize on investment opportunities he judged to have greater current return potential than the FFWW stock.

The most obvious method of monetizing the FFWW stock was to exercise the Put Option. Several reasons, however, militated against this.

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DISCUSSION OF FACTORS MITIGATING AGAINST EXERCISE OF PUT OPTION

provides how a small business corporation may elect to be treated as an S corporation for Federal income tax purposes.

[7] The only fixed time period imposed by the Appraisal Mechanism was the 30-day period that both sides' investment bankers had from the submission of their valuation reports to appoint a third banker.

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DISCUSSION OF FACTORS MITIGATING AGAINST EXERCISE OF PUT OPTION

Alternatively, a pledge of the FFWW stock was impossible because of the No-Lien Clause. Just as great an obstacle, however, would be a fully recourse loan against HS. [redacted] If anything, HS sought to reduce his personal exposure from borrowed funds, not increase it.

In response to this, HS was advised that he might be able to borrow money on either a non-recourse or limited-recourse basis by pledging the property purchased with the borrowed funds. The amount of loan that any lender would make if HS wished to purchase securities would be no more than 50% if the securities purchased constituted "margin stock" (*e.g.*, publicly traded securities).[10/] [redacted]

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DISCUSSION OF FACTORS MITIGATING AGAINST EXERCISE OF PUT OPTION

[10/] The Federal Reserve Board Regulation U limits the amount a bank can lend for the purpose of purchasing margin stock.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

As the December 31, 2000, deadline for giving notice of exercise of the Put Option approached, HS believed he had exhausted, without success, every avenue to resolve the situation with Fox. Therefore, by letter dated December 21, 2000, HS exercised the Put Option. Consequently, by letter dated January 17, 2001, Fox exercised the Call Option which then took precedence over the Put Option (the reciprocal exercise of the Put Option and Call Option hereinafter referred to as the "Fox Option Exercise").

During this time period, the stock market, and in particular the technology sector, suffered a serious decline. Up to that point, HS and Silverlight had minimal exposure to the technology sector, having persistently avoided it as overpriced, "overhyped," and excessively volatile. After the decline at the beginning of 2001, however, HS believed that the sector presented genuine buying opportunities. Importantly, though, because of the volatility of technology stocks, HS had no interest in holding a portfolio of such stocks for any length of time; on the contrary, HS believed that the current stock market decline coupled with the volatility presented a prudent opportunity to make a short-term profit in this sector.

After the Fox Option Exercise, News commenced to undertake a due diligence review of FFWW, presumably for the purpose of preparing for the negotiations to determine the purchase price for HS' and Silverlight's FFWW shares. After FFWW supplied all of the documents and information requested by News, several months passed with little communication between the parties. There was virtually no progress toward a determination of the purchase price for the Saban Shareholders' FFWW stock. [redacted]

For these reasons, HS intensified his efforts to find a monetization mechanism for his FFWW stock. In January 2001, MK met with CW of Quellos and explained the situation to him. In a follow-up meeting a few weeks later, CW told MK that he believed Quellos could devise a monetization plan and asked MK to furnish him with details of HS' assets and affiliated entities.

More importantly, though, CW explained that Quellos' approach to the problem was somewhat the opposite from that of other institutions. Instead of focusing on the availability and terms of a monetization financing, Quellos believed it should first identify the investment vehicle that suited HS' objectives for the use of the monetization proceeds and then determine whether and how such an investment could be financed. Thus, CW focused in on HS' interest in a short-term investment in the technology sector, *e.g.*, how much money HS wanted to invest, the length of time HS was looking to hold such an investment, and the level of risk HS was willing to bear.

In the Spring of 2001, CW informed MK that he thought he had identified an investment that met HS' goals for the use of the monetization proceeds in a short-term trade capitalizing on the then current price levels of technology stocks.

Barnville Limited ("Barnville"), a company incorporated and registered in the Isle of Man, held substantial positions in several technology stocks. Barnville and European American Investment Corporate Services Limited ("Euram"), a financial advisory firm based in London, had formed Titanium Trading Partners LLC ("TTP"), a Delaware limited liability company, to which it was intended that Barnville would contribute a portion of its technology stocks (the "Portfolio") in exchange for 99% of TTP's membership interests. Barnville and Euram formed TTP as a partnership for the purpose of obtaining a profit from the sale of interests in TTP.[11/] Euram, which held the remaining 1% of TTP and was its managing member, also arranged for the placement by TTP of a long-dated (five-year) covered call contract on the Portfolio.

CW believed HS should consider purchasing all of Barnville's interest in TTP in order to acquire a diversified basket of technology stocks. MK agreed that CW should enter into preliminary discussions with Euram and Barnville regarding the purchase by HS of all of Barnville's membership interest in TTP, and that CW should also explore possible sources for financing the purchase.

After several conversations between CW and HSBC Bank in New York ("HSBC"), a subsidiary of HSBC in London and Hong Kong, CW told MK that he and HSBC had possibly found a way for HSBC to finance HS' purchase of Barnville's interest in TTP without violating the No-Lien Clause and without requiring unlimited recourse against HS. HSBC was willing to make a loan for the purchase of Barnville's interest in TTP. It would not, however, under any circumstances make the loan on anything other than a full-recourse basis, but, because Silverlight owned approximately 25% of the outstanding common stock of FFWW, it was willing to make a full-recourse secured loan to Silverlight, with only a limited and contingent guaranty by HS (see explanation below at footnote 19) so that Silverlight could purchase the interest in Barnville. Moreover, HSBC would not require a pledge of Silverlight's (or any other) FFWW stock.[12/]

HSBC, however, required additional security arrangements to make the loan to Silverlight. HSBC wanted Silverlight, immediately after the purchase of Barnville's interest, to cause TTP to purchase an at-the-money put on the Portfolio to limit TTP's risk of a decline in the Portfolio's value while the loan was outstanding. TTP could partially finance the put by

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[11/] TTP never elected to be treated as a corporation for U.S. Federal income tax purposes. TTP intended to hold the Portfolio solely for investment purposes with the expectation of making a potential short-term economic profit by selling interests in TTP. Some of the Portfolio were also dividend paying stocks.

[12/] For the HSBC proposal to give HS a genuine shield from personal liability from the loan to Silverlight, the Glass Wave/Silverlight partnership structure in place at that time would have to be altered. HS, as the general partner of Glass Wave, which was in turn the general partner of Silverlight, had unlimited personal liability for Silverlight's debts. It was thus necessary to replace Glass Wave as the general partner of Silverlight with an entity, such as a corporation or limited liability company, that afforded its owners limited liability from the claims of the entity's creditors. HS would thereby be shielded from unlimited personal liability for future claims, including those arising from the HSBC loan, that might be asserted against Silverlight.

simultaneously selling a call on the Portfolio with the same expiration date as the put but at a higher strike price, thereby creating a "collar." (HS favored the idea of the collar because it brought the overall risk of the transaction down while still retaining potential for significant short-term return on the investment.)

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DISCUSSION OF ISSUES AND OBLIGATIONS OF SILVERLIGHT PARTNERS

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[13/] The issue of HS' personal liability for Silverlight's debts in his capacity as general partner of Glass Wave had been fully discussed by the parties when Silverlight and Glass Wave were formed in 1992. The Guaranteed Payment and the deficit make-up provision were material conditions of [redacted]Trusts, which were the partners of Golden Melody, and [redacted]Trusts, which were the partners of Cassano, to entering into the Silverlight limited partnership agreement. The Trustees opposed the use of a limited liability entity as the general partner of Glass Wave at that time for the reasons stated in the text. Accordingly, HS agreed to personally act as the general partner of Glass Wave, thereby making his personal assets available to fund the Guaranteed Payment and to restore a capital account deficit of the general partner.

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DISCUSSION OF ISSUES AND OBLIGATIONS OF SILVERLIGHT PARTNERS

In May 2001, Fox decided to seek a third party purchaser for FFWW rather than purchase the shares of the Saban Shareholders. This triggered an entirely new set of issues between HS and Fox to be negotiated and resolved, such as HS' involvement in the selling process, the freedom, if any, of the Saban Shareholders not to sell in a transaction approved by Fox, and compensation to be paid by Fox to the Saban Shareholders for Fox's retention of the Fox Children's Network.

As a result, a monetization of the Saban Shareholders' FFWW stock became even more important to HS, as it became increasingly clear that no attention or energy on the part of Fox would be given to the Appraisal Mechanism during the period agreed to by the parties for the solicitation of buyers. If no buyers emerged during that period, the Appraisal Mechanism would be reinstated, with the end result that Fox would be no closer to effectuating the purchase of the Saban Shareholders' FFWW shares and at least another year would have elapsed.

In July 2001, HS and Rupert Murdoch, the chairman and C.E.O. of News ("Murdoch"), attended an industry conference held annually with media principals and investment bankers. Michael Eisner ("Eisner"), the chairman and C.E.O. of The Walt Disney Company ("Disney"), agreed to meet with HS and Murdoch to discuss Disney's possible acquisition of all of FFWW. At the conclusion of that meeting, Eisner acting on behalf of Disney made an offer to purchase all of the outstanding common stock of FFWW and certain promissory notes (the "Fox Notes") held by a Fox affiliate for a certain amount of cash.

On July 23, 2001, the parties executed a purchase agreement, by and among the Saban Shareholders, Fox, certain of their affiliates, Allen & Company, and Disney, relating to the sale of the common stock of FFWW and the Fox Notes to Disney (the "Disney Agreement"). Pursuant to the Disney Agreement, the closing of the sale was scheduled to occur three business days following the later to occur of (i) the expiration or termination of the applicable waiting periods under the Hart-Scott Rodino Act and foreign antitrust laws and (ii) the satisfaction or waiver of all other conditions set forth in Articles 11 and 12 (Conditions Precedent to the Obligation of the Buyer to Close and Conditions Precedent to the Obligation of the Sellers to Close, respectively) of the Disney Agreement.

After the execution of the Disney Agreement numerous matters remained to be worked out among the parties in order to close the transaction. In addition to the various conditions to closing that were imposed under the Disney Agreement, several significant provisions had been left to be resolved through good faith negotiations among the parties. Notwithstanding HS' efforts, there were significant regulatory approvals, both domestic and foreign, which were required to be obtained in order to consummate the sale and the timing for the granting of such approvals was beyond HS' knowledge and control. Thus, HS' liquidity and ability to diversify his investments continued to be illusory.[14/]

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DISCUSSION OF FACTORS RESULTING IN REVISION OF INITIAL PLAN ON STRUCTURING THE POINT TRANSACTION

[14/] After the events of September 11, 2001, the consummation of the sale of the FFWW stock to Disney became very uncertain.

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DISCUSSION OF FACTORS RESULTING IN REVISION OF INITIAL PLAN ON STRUCTURING THE POINT TRANSACTION

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DISCUSSION OF FACTORS RESULTING IN REVISION OF INITIAL PLAN ON STRUCTURING THE POINT TRANSACTION

Consequently, to avoid any potential personal exposure to HS and CS for the HSBC loan, CW suggested that the interest in TTP not be acquired directly by Silverlight, but rather by a new entity wholly owned by Silverlight. Silverlight would contribute the loan proceeds to this entity ("Newco"), which would in turn acquire the interest in TTP. Newco could then pledge its interest in TTP as collateral for the loan. Silverlight could then distribute the interest in Newco (rather than the interest in TTP) to HS and CS in complete redemption of their limited partnership interests in Silverlight. HS and CS would, therefore, acquire the interest in Newco free and clear of any direct encumbrances, and with the reduced risk of liability exposure.

CW pointed out two additional benefits of having a wholly owned entity of Silverlight, rather than Silverlight itself, acquire the TTP interest from Barnville. First, it would prevent Silverlight from incurring any liabilities arising out of the purchase of the TTP interest, including liabilities imposed under the purchase agreement entered into with Barnville. Second, it would allay any fears that Silverlight could be held liable for the obligations incurred by TTP prior to the purchase of Barnville's interest in TTP. CW advised HS and MK that although a member of a limited liability company theoretically had no exposure to the debts of the entity, limited liability company statutes were only recently enacted in the U.S. and, as a result, few if any of the contours of the limited liability protection set forth in the various legislative enactments had been delineated by U.S. courts.

HS and MK therefore agreed that Barnville's interest in TTP should be acquired by a new wholly owned entity of Silverlight to which Silverlight would contribute the HSBC loan proceeds. Silverlight would not pledge the interest in the new entity as collateral for the

HSBC loan, which would enable Silverlight to distribute the interest to HS and CS in complete redemption of their interests in Silverlight, free and clear of all direct encumbrances. For the reasons stated above regarding the lack of settled law determining the reach of the liability protection provisions in limited liability company laws, both HS and MK thought that the new entity should not take the form of a limited liability company but instead be formed as a corporation. HS was especially adamant in this regard, because he was almost entirely unfamiliar with the limited liability company form of entity, having rarely utilized one to carry on any of his own business enterprises.[16] After CW received confirmation from HSBC that it would agree in principle to make the loan to Silverlight in accordance with the outlines of Quellos' plan, HS, working with CW, commenced to effectuate the structure to accomplish his goals and objectives.

To this end, on August 17, 2001, Silverlight formed TAC as a corporation under the Delaware Corporation Law. Approximately a month later, Silverlight borrowed $800 million from HSBC and executed a Credit Agreement dated September 21, 2001 (the "Credit Agreement") which set forth the terms and conditions applicable to the loan (the "Loan"). The Loan was fully recourse to Silverlight. Further, Silverlight did not have any set off rights against HSBC relating to other transactions entered into with HSBC by affiliates of Silverlight. Under California law, 5161, as the general partner of Silverlight, was liable for the debts of the partnership. The limited partners of Silverlight had no liability for the Loan in excess of the amounts they had already contributed to Silverlight.[17] Further, 5161 executed separate reimbursement and indemnity agreements effective as of September 21, 2001, with each limited partner of Silverlight agreeing thereunder to reimburse such partner for any payments made under the limited and/or contingent guarantee and indemnify it against any loss incurred by it arising out of the Loan (collectively the "Indemnity Agreements").[18] HS believed that the value of Silverlight's assets plus the value of 5161's assets were sufficient to satisfy Silverlight's obligations.

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[16] HS had always operated his businesses in the U.S. through corporations, beginning with Saban Productions, Inc. in 1983, and sole proprietorships. The one exception might be FKLLC, although it was jointly owned with Fox entities.

[17] The Silverlight partnership agreement required the general partner, *i.e.*, 5161 to restore to Silverlight any deficit in 5161's capital account upon the liquidation of Silverlight. The Silverlight partnership agreement, however, did not require a limited partner to restore to the partnership upon its liquidation any negative balance in such limited partner's capital account. Further, under state law, if HS, CS, Cassano or the other limited partners had ever been required to make a payment to HSBC under their limited and/or contingent guarantees (see discussion of same below), as the case may be, such limited partner would have been subrogated to HSBC's right to recover in full from the partnership.

[18] The Indemnity Agreements provided in pertinent part, that each of the limited partners of Silverlight was entitled to be reimbursed by 5161 for any payments made by such limited partner pursuant to the limited guarantee and/or contingent guarantee and to be indemnified against any loss incurred arising out of the Loan.

Although Silverlight was the sole borrower, its partners and affiliates provided limited and/or contingent guarantees to HSBC.[19/] Further, 5161 and TAC each executed an unlimited guaranty in favor of HSBC and pledged collateral in support thereof. The collateral of 5161 consisted of the value of its general partnership interest in Silverlight, all copyrights and copyright registrations, license and royalty agreements (except where the assignment would be prohibited), and all books, records, and writings relating to the foregoing. The collateral of TAC consisted of deposit accounts at HSBC, the Custody Account Agreement between TAC and HSBC, an HSBC securities account and all property held therein, and all books, records, and writings relating to the foregoing. In addition, TAC's collateral was supplemented after it purchased Barnville's interest in TTP on September 24, 2001, to include the Certificated Securities (including the certificate representing the 99% interest in TTP), and the Purchase Agreement dated September 24, 2001, between TAC and Barnville.

On September 1, 2001, Glass Wave, the general partner of Silverlight, dissolved and terminated, and its assets were distributed as set forth in Section 13.2 of the Glass Wave Partnership Agreement. The partners of Glass Wave agreed that Glass Wave's interest in Silverlight would be distributed in-kind to the partners of Glass Wave. Thus, Glass Wave's Class B general partner interest in Silverlight was distributed to 5161, HS and CS, pro rata in accordance with the interests they each had held in Glass Wave. Only 5161, however, became a substitute general partner of Silverlight; HS and CS remained limited partners of Silverlight and their Class B interests in Silverlight were thus increased. As part of its dissolution and termination, Glass Wave also entered into a Contribution Agreement with Silverlight dated August 31, 2001, pursuant to which Glass Wave transferred all of its assets and liabilities to Silverlight (other than its existing interest in Silverlight) in exchange for an increased interest in Silverlight.

As part of the contributed assets, Glass Wave contributed two secured promissory notes issued by Cassano to Glass Wave dated December 29, 1992, and February 5, 1993, respectively (together, the "Cassano Notes"), to Silverlight.[20/] The combined principal amount

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[19/] HSBC required pledges of the Portfolio, the membership interests in TTP, the partnership interests in Silverlight, Silverlight's marketable securities and interests in investment partnerships, 5161's music library and a small amount of additional marketable securities from HS. Although HSBC did not demand a pledge of Silverlight's FFWW stock, it required Silverlight to covenant that it would not dispose of that stock as long as the Loan was outstanding, unless the stock was sold and the proceeds were used to pay down the Loan. Specifically, HS and CS entered into a limited guarantee with respect to the Loan and pledged as collateral the value of their partnership interests in Silverlight. The Loan was not recourse to HS or CS personally. Each of the other limited partners of Silverlight also provided a limited guarantee to HSBC with limited recourse only to the value of their interests in Silverlight. Further, HS, [redacted] and CS provided a contingent guarantee to HSBC for the Loan, but only to the extent that the Loan was not paid in full on or before 180 days from September 21, 2001, and then only to the extent of the difference between the Loan and the proceeds received by HSBC from TTP as a result of any termination of a collar transaction and the sale of any securities held in a custodial account at HSBC.

[20/] On December 29, 1992, Cassano had purchased one-half of Glass Wave's Class A partnership interest in Silverlight, which represented a 48.5 percent Class A partnership interest in Silverlight, in exchange for a secured promissory note of even date in the principal amount of $9,800,000. Subsequently, on February 5,

of the Cassano Notes was $19.6 million. The fair market value of all of the Glass Wave assets transferred to Silverlight was $20,276,665. In addition to the Cassano Notes, Glass Wave contributed cash and cash equivalents to Silverlight.

On September 1, 2001, after contributing to Silverlight all of its assets and liabilities, Glass Wave held a 66.2285% Class B partnership interest in Silverlight. *Id.* As a consequence of Glass Wave's termination and dissolution, Silverlight terminated technically for U.S. Federal income tax purposes because there was an exchange of 50% or more of the total interest in partnership capital and profits. Silverlight did not have a section 754 election in place for its tax year beginning January 1, 2001, and ending September 1, 2001.[21/]

On September 1, 2001, the general partner and limited partners of Silverlight executed the Fourth Amended and Restated Limited Partnership Agreement agreeing to continue Silverlight. Thus, Silverlight's ownership structure on September 1, 2001, was as follows:

1993, Cassano purchased the other half of Glass Wave's Class A partnership interest in Silverlight in exchange for a second secured promissory note dated February 5, 1993, in the principal amount of $9,800,000. When Glass Wave sold its interests in Silverlight to Cassano, Silverlight did not own any depreciable property.

Under the terms of the Cassano Notes, the payment of interest was an unconditional obligation of Cassano. Interest on the Cassano Note dated December 29, 1992, was payable in arrears on the first business day of March, June, September and December; interest on the Cassano Note dated February 5, 1993 was payable in arrears on the first day of February, May, August and November. Except for a few late interest payments, all interest that was due on the Cassano Notes was paid by Cassano when due. Simultaneous with the execution of the secured promissory note of February 5, 1993, Glass Wave and Cassano executed an Amended and Restated Security Agreement pursuant to which Cassano granted to Glass Wave a continuing security interest in Cassano's entire 97 percent Class A partnership interest in Silverlight (the "Collateral"). (A form UCC-1 was filed evidencing this security interest.)

Pursuant to the Second Amended and Restated Limited Partnership Agreement of Silverlight effective February 5, 1993, Cassano as a 97 percent Class A Partner, was entitled to a preferred return of 10% per year, on its capital (as previously defined above, the "Guaranteed Payment"). Silverlight made all payments of the Guaranteed Payment to Cassano when due. Except to the extent that Cassano paid interest to Silverlight on the December 15, 1997 demand note (which loan was repaid in full, including all accrued unpaid interest, in July of 2000) and on the Cassano Notes after the Cassano Notes were transferred from Glass Wave to Silverlight on August 31, 2001, Cassano never made any transfers to Silverlight.

Glass Wave did not make any transfer to Cassano of an interest in Silverlight after February 1993.

[21/] Silverlight had previously made a section 754 election effective in 1992. The 754 election had been applicable to the purchase by Cassano of the Class A limited partnership interest in Silverlight from Glass Wave in 1992 and 1993, causing a basis increase pursuant to section 743(b) with respect to Cassano of approximately $18,890,630 for Silverlight's SEI stock. In August 1997, in a nonrecognition transaction under section 351(a), Silverlight exchanged its SEI stock, which had been contributed by Glass Wave to Silverlight in December 1992, for 2,759,724 shares of FFWW Stock (the "Original Block of Silverlight FFWW Stock"), resulting in a basis adjustment with respect to Cassano in the same amount (*i.e.*, approximately $18,890,630) for the Original Block of Silverlight FFWW Stock.

In 1999, Silverlight revoked the section 754 election previously made and reflected this revocation on its 1999 U.S. Federal income tax return.

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Partner	Class A Percentage
Cassano	100%
	Class B Percentage
5161	.6624%
HS	60.6211%
CS	33.9377%
[redacted]	2.2296%
[redacted]	2.2296%
[redacted]	.1598%
[redacted]	.1598%

HS and CS are calendar year taxpayers, and therefore Silverlight, after its technical termination, was required to adopt the calendar year as its taxable year.[22/] Silverlight did not close its taxable year beginning September 2, 2001, prior to December 31, 2001.

Silverlight will timely file a valid section 754 election for its short taxable year beginning September 2, 2001, and ending December 31, 2001. Silverlight will make the written statement described in Treas. Reg. section 1.754-1(b) containing all of the items required by such regulation, and will file such statement with its timely filed partnership return for its taxable year ending December 31, 2001, within the time set forth in such regulation.

We understand the Loan was deposited by HSBC to Silverlight's HSBC account on September 21, 2001. Silverlight earned $166,666.67 of interest on the funds in its HSBC account for the period from September 21, 2001, to September 24, 2001. Silverlight retained this amount for its own business needs. On September 24, 2001, Silverlight transferred the $800,000,000 from its HSBC account to TAC's HSBC account. Silverlight transferred this amount to TAC in part as a capital contribution to TAC and in part for the acquisition of a debenture issued by TAC. TAC issued its stock to Silverlight on August 17, 2001, and the debenture to Silverlight on September 24, 2001.

The principal amount of the TAC debenture was $67,827,867, having a term of twenty years with interest payable quarterly of at least 5.5 percent per annum (the "Debenture"). However, no interest was permitted to be paid by TAC until the first quarterly date following when the Loan was paid off. The Debenture provided that generally the Holder could make a written demand not later than October 1, 2003, for TAC to pay the Holder a mandatory

[22/] Section 706(b)(1)(B) provides generally that a partnership must have as its taxable year the same tax year as its partners having an aggregate interest in partnership profits and capital of more than 50%. Since HS and CS together held more than 90% of Silverlight, Silverlight was required to have the same tax year as HS and CS.

prepayment on December 1, 2003, in the amount of $20,000,000. TAC also had the right generally after written notice to the Holder, to optionally prepay all or any part of the unpaid principal balance of the Debenture without penalty or premium. All prepayments whether mandatory or optional were required to be accompanied by accrued interest on the principal amount being repaid to the date of such prepayment. The Debenture also provided that it was only transferable on the Debenture register of TAC.[23/]

Also on September 24, 2001, TAC purchased Barnville's 99% membership interest in TTP for $768,784,235; TAC's purchase was at arm's length and the entire purchase price was paid in cash. On the same day, CS purchased Euram's 1% membership interest in TTP for $7,765,497.[24/] Consequently, TTP, which had not elected to be treated as a corporation but rather as a partnership (when relevant) for U.S. Federal income tax purposes, experienced a technical termination for Federal income tax purposes because there was an exchange of 50% or more of the total interest in its capital and profits. TTP, therefore, adopted the taxable year of TAC, its member having an aggregate interest in profits and capital of more than 50%. TTP's taxable year became, therefore, the fiscal year ending September 30, 2001.[25/]

TTP did not have a section 754 election in effect when TAC acquired Barnville's 99% membership interest. No adjustment was made to the basis of any of the assets held by TTP by reason of the technical termination and deemed distribution of the membership interests in the new TTP partnership to TAC and CS.

Contemporaneously with the purchase by TAC of Barnville's membership interests in TTP, TTP entered into an ISDA Master Agreement with HSBC. After the sale of Barnville's interest in TTP to TAC, TTP entered into ten identical transactions (except with respect to the expiration dates)[26/] which were European options each comprised of a put and call

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[23/] Silverlight's adjusted basis in the Debenture was increased by its basis adjustment for the Original Block of Silverlight FFWW stock with respect to Cassano. *See* footnote 21 above.

[24/] Also on September 24, 2001, TAC and CS each made a contribution to TTP in the amounts of $31,208,373 and $315,236, respectively. These amounts were used by TTP to purchase and sell put and call options. *See* discussion below.

[25/] TAC had previously adopted the fiscal year ending September 30, 2001, as its initial taxable year. TAC filed Form 7004 on or before December 15, 2001, extending the due date of its tax return for its first taxable year ending September 30, 2001. TAC's U.S. Federal income tax return for its first year ending September 30, 2001, was filed in June 2002. An amended return for TAC's first taxable year ending September 30, 2001, to correct an error on Schedule L, "Balance Sheets Per Books," will be filed on or before October 15, 2002.

We understand that for its fiscal year beginning October 1, 2001, TAC elected S corporation status (see footnote 6 above for explanation of S corporations generally) which required TAC to adopt the calendar year as its taxable year. *See* TAC's Form 2553, "Election by a Small Business Corporation." Since TAC was TTP's majority member, TTP was also required to adopt the calendar year for its taxable year.

[26/] The ten expiration dates were December 17, 18, 19, 20, 21, 24, 26, 27, 28 and 31, 2001. *See* Confirmation dated October 17, 2001, between HSBC and TTP (the "Confirmation").

option on the shares of stock making up the Portfolio, with a strike price of $76,886,112.13 and $83,037,001.10, respectively (the "Collar"). TTP acquired the Collar to hedge its risk of holding the Portfolio (and the Collar was also a prerequisite of HSBC making the Loan to Silverlight) while retaining some of the upside potential of its investment. TTP was interested in retaining as much profit potential from its equity investments while protecting itself from further erosion of this investment. The Collar entered into with HSBC afforded TTP this opportunity. TTP's net cost of the Collar was $31,523,305.90.

TTP held the Portfolio and Collar solely for investment purposes; its ownership of the Portfolio and its participation in the Collar did not constitute a trade or business.

On September 28, 2001, pursuant to the HS and CS Agreements for Complete Redemption of Limited Partnership Interest in Silverlight (together, the "Complete Redemption Agreements"), HS' and CS' partnership interests in Silverlight[27] were completely redeemed in exchange for all of the stock in TAC ("TAC Stock"). HS received 32.76 shares of TAC Stock and CS received 17.24 shares of TAC Stock. Silverlight did not make any cash payments to HS or CS as part of their redemption.

The Complete Redemption Agreements provided, among other things, for a true-up between HS and Silverlight, and between CS and Silverlight, in the event that the fair market value of the shares of TAC Stock ("Share Value") was not equal to the fair market value of HS' and CS' respective interest in Silverlight ("Redemption Value"), in the form of a payment to be made no later than: (i) the later of seven days after the determination of the Share Value, or (ii) December 31, 2001 (the "Equalization Payment"). As of the close of business on September 21, 2001, HS' and CS' Redemption Values were $454,444,206 and $238,986,443, respectively. On December 31, 2001, HS and CS each made an Equalization Payment, plus interest, in the total amount of $18,719,279 and $10,018,195, respectively. For purposes of the opinions rendered hereunder, MK has represented to us that the Equalization Payments are properly treated for U.S. Federal income tax purposes as payments by HS and CS to Silverlight for the purchase of a portion of TAC Stock.[28]

Also, on September 28, 2001, Silverlight distributed the Debenture to Cassano pursuant to the Agreement for Complete Redemption of Limited Partnership Interest executed between Silverlight and Cassano (the "Cassano Redemption Agreement.") (These three distributions (but not the Equalization Payments) in complete redemption of HS', CS' and

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[27] HS and CS had acquired their interests in Silverlight in nonrecognition transactions in the form of partnership distributions from Glass Wave, Merlot Investments ("Merlot") and Quartz Enterprises, L.P. ("Quartz"). In August 2000, Merlot and Quartz each made a transfer of all of its assets and liabilities to Silverlight in an exchange described in section 721, and as part of the same plan, Merlot and Quartz liquidated and distributed their interests in Silverlight to their partners. At the time HS and CS acquired their interests in Silverlight, Silverlight did not own any depreciable property.

[28] We note that we have not been asked nor have we independently undertaken an analysis of the proper treatment of the Equalization Payment for U.S. Federal income tax purposes.

Cassano's Silverlight limited partnership interests are collectively referred to herein as the "TAC Transfers.")

The Cassano Redemption Agreement provided that in consideration of the complete liquidation of Cassano's interest in Silverlight, Silverlight was transferring the Debenture in the principal amount of $67,827,867. The fair market value of Cassano's interest was determined to be $67,370,534. The difference between the principal amount of the Debenture and the value of Cassano's interest was paid to Cassano as a payment in respect of the Guaranteed Payment to which Cassano was entitled as a Class A limited partner of Silverlight. Cassano acknowledged that payments on the Debenture were subordinated and could not be made in any amount until the Loan was paid in full.

Pursuant to the Complete Redemption Agreements and the Cassano Redemption Agreement (collectively, the "Redemption Agreements"), the entire interests of HS, CS and Cassano in Silverlight were terminated, and thus, HS, CS and Cassano were no longer partners of Silverlight. The Redemption Agreements also provided that HS, CS, and Cassano were released from all liabilities in connection with their membership in Silverlight. None of the TAC Transfers were subject to the Loan. The TAC Transfers were the only distributions made by Silverlight to HS, CS and Cassano in complete liquidation of their partnership interests.

Silverlight made the TAC Transfers to accomplish several goals. First, it afforded HS and CS the opportunity to diversify their investments and invest in the stock market, and in particular the technology sector, through an entity which would provide liability protection. Second, it effected a division of the assets of Silverlight, thereby insulating the limited partners other than HS and CS from market risks associated with TAC's ownership interest in TTP and preserving Silverlight's diversified long-term growth asset base for the primary benefit of the Trusts and Custodianships. Third, it effected a severance of HS' and CS' interests in Silverlight from the other limited partners, thereby avoiding inevitable future conflicts between the Trusts and Custodianships, on the one hand, and HS and CS, on the other, that would inevitably arise in making specific investment decisions for the deployment of Silverlight's assets once its FFWW stock was ultimately sold. Fourth, by fully redeeming out Cassano with the Debenture, it protected Cassano from substantially increased risk it would suffer with respect to the Guaranteed Payment by reason of the substantial contraction of the assets ultimately available to satisfy that payment that would occur as a result of the encumbrances created by the Loan. Fifth, the distribution of the Debenture to Cassano supported HS' and CS' family estate planning objectives in that future appreciation in Silverlight would inure only to the benefit of HS' and CS' children.

At the time of the TAC Transfers, all of Silverlight's assets consisted of money, stock in corporations, notes, bonds, debentures or other evidences of indebtedness, interest rate, currency, or equity notional principal contracts, foreign currencies, interests in or derivative financial instruments (collectively "Investment Assets") and interests in partnerships.[29/]

[29/] One day prior to the TAC Transfers, Silverlight transferred the Cassano Notes to 5161.

Silverlight never held 20% or more of the total profits and capital interests of any partnership, and it never actively or substantially participated in the management of any partnership in which it had an interest. Further, none of HS, CS or Cassano ever contributed any property to Silverlight. Furthermore, all of the property contributed by Merlot, Quartz and Glass Wave to Silverlight consisted of Investment Assets and of interests in partnerships. To the extent, however, that Merlot or Quartz ever contributed to Silverlight an interest in a partnership neither Merlot or Quartz actively or substantially participated in the management of the partnership nor did they ever hold 20% or more of the total profits and capital interests.

REPRESENTATIONS

In rendering this Opinion, we have relied on the representations from the individuals and entities listed below and attached as Schedule A.

1. Matthew G. Krane, as counsel to Silverlight, Haim Saban, Cheryl Saban, TAC, and as Trustee of the Trusts.
2. Haim Saban, individually.
3. Cheryl Saban, individually.
4. Chuck Wilk, as a principal of Quellos.
5. Haim Saban, as former general partner of Glass Wave.
6. Thomas Glen Leo, partner of the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P., as counsel to Silverlight.
7. A. Nicholson, as Director of Barnville (representations supplied to TAC).
8. John Staddon, as Director of Euram (representations supplied to CS).
9. Haim Saban, as President of TAC.
10. Haim Saban, as President of TAC, managing member of TTP.

DOCUMENTATION REVIEWED BY US

In connection with the preparation of this Opinion, we have reviewed the documents contained in the attached Schedule B.

LEGAL ANALYSIS OF MATERIAL UNITED STATES FEDERAL INCOME TAX ISSUES

I. GAIN OR LOSS TO SILVERLIGHT ON THE TAC TRANSFERS.

Section 736 addresses payments[30/] made by a partnership in liquidation of a partner's entire interest in the partnership. *See also* section 761(d) (the term "liquidation of a partner's interest" means the complete termination of the partner's *entire* interest by a distribution or series of distributions by the partnership). Under section 736, payments made to a withdrawing partner are generally classified into three categories: (1) payments in consideration for the withdrawing partner's interest in partnership assets (section 736(b)); (2) a distributive share of partnership income (section 736(a)(1)); or (3) a guaranteed payment (section 736(a)(2)).

Section 736(b)(1) specifically provides that payments made in liquidation of the interest of a withdrawing partner are treated as partnership distributions if made in exchange for the partner's interest in partnership property.[31/] Thus, payments that are in exchange for the withdrawing partner's interest in partnership property are considered to be distributions by the partnership, not distributive shares or guaranteed payments. For purposes of section 736(b), the value of a withdrawing partner's interest in partnership property is its gross value unreduced by the partner's share of partnership liabilities. Treas. Reg. section 1.736-1(b)(1). This reflects the fact that a partner whose interest is liquidated is treated under section 752(b) as having received a cash distribution equal to the share of partnership liabilities of which he is relieved upon withdrawal. Under Treas. Reg. section 1.736-1(b)(1), the valuation placed by the partners upon a partner's interest in partnership property in an arm's length agreement will be regarded as correct.

Although section 736 classifies the payments from a partnership to a withdrawing partner, it does not determine the tax consequences that follow from that classification. Once the classification of liquidating payments is made, other provisions of subchapter K determine the

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30/ Section 736 applies by its terms to "payments," which arguably could be read to mean that only cash payments and not distributions of other property are subject to section 736 (only cash payments are used as examples in the section 736 regulations). However, nothing specifically limits the application of section 736 to cash payments. The section 736 regulations as originally proposed specifically provided that section 736 applied only to cash payments and not to property distributions. Prop. Reg. section 1.736-1(a)(2), 20 Fed. Reg. 5854, 5871 (Aug. 12, 1955). However, the final regulations deleted the language limiting the application of section 736 to cash payments which thus provides at least an inference that section 736 applies to property distributions. For purposes of this Opinion, we have assumed that section 736 applies to distributions of property in liquidation of a partner's interest in a partnership.

31/ Section 736(b)(2) and section 736(b)(3) (which limits the application of section 736(b)(2)) provide in effect that payments for unrealized receivables and for goodwill made to a withdrawing *general* partner from a partnership for which capital is *not* a material income-producing factor (basically a service partnership) are not treated as payments for property. Instead such payments are considered section 736(a)(1) or (a)(2) payments, as appropriate. Inasmuch as the distributions made to HS, CS and Cassano were made to withdrawing *limited partners*, and capital was a material income-producing factor for Silverlight, section 736(b)(2) should not apply.

tax consequences of those payments. Treas. Reg. section 1.736-1(a)(2) provides that the "amounts paid for [the withdrawing partner's] interest in assets are treated in the same manner as a distribution in complete liquidation under sections 731, 732, and where applicable, 751." *See also* Treas. Reg. section 1.736-1(b)(1) (gain or loss with respect to distributions under section 736(b) will be recognized to the distributee to the extent provided in section 731 and, where applicable, section 751).

Under section 731(b), a partnership generally does not recognize any gain or loss in connection with a distribution in liquidation of a partner's interest in partnership property. However, recognized gain or loss may result to the partnership from certain distributions which under section 751(b) must be treated as a sale or exchange of property between the distributee partner and the partnership. Treas. Reg. section 1.731-1(b). Specifically, section 751(b) provides that to the extent a partner receives a distribution from a partnership of (1) section 751(b) property in exchange for relinquishing all or part of his interest in the partnership's non-section 751 property; or (2) non-section 751(b) property in exchange for relinquishing all or part of his interest in the partnership's section 751 property, the transaction is treated as a sale or exchange of such property between the distributee partner and the partnership (which generally will give rise to ordinary income). Section 751(b) property refers to unrealized receivables and substantially appreciated inventory of the partnership. The term "unrealized receivables" includes amounts previously unrecognized as income received for any payment rights (contractual or otherwise) for goods delivered, or to be delivered to the extent the proceeds therefrom would not generate a capital gain or loss, and for services rendered or to be rendered. Other categories of unrealized receivables include items of property, the sale of which produce ordinary income, in whole or in part, as a result of specific recapture or recharacterization sections of the Code. Section 751(c). The term "inventory items" is defined broadly under section 751(d) and includes four categories of property that, if sold, will produce ordinary income rather than capital gain. Inventory items include (1) property described in section 1221(a)(1); (2) property which is property other than a capital asset or property described in section 1231; (3) section 1246 property (foreign investment company stock); and (4) any other property held by the partnership which, if held by the distributee partner, would be considered the type of property described in categories one through three, above.

A. SILVERLIGHT DID NOT RECOGNIZE ANY INCOME OR GAIN AS A RESULT OF THE TAC TRANSFERS.

1. The TAC Transfers constituted distributions of property from a partnership to its partners.

In the instant case, under section 736(b), the TAC Transfers on September 28, 2001, constituted partnership distributions by Silverlight to HS, CS and Cassano in liquidation of their interests in partnership property. In accordance with sections 736 and 761(d), the TAC Transfers were made to HS, CS and Cassano in *complete* liquidation of their respective interests in Silverlight. *See also* Treas. Reg. section 1.761-1(d). Under the Redemption Agreements, the TAC Transfers were made in "full and complete consideration of the complete liquidation and

redemption" of the interests of HS, CS and Cassano in Silverlight. *See* section 1.1 of the Redemption Agreements. Thus, under Treas. Reg. section 1.736-1(b), the TAC Transfers constituted payments for HS', CS', and Cassano's respective interests in the "partnership property" of Silverlight.[32/]

2. No part of the TAC Transfers is considered a sale or exchange of property between Silverlight and any of its partners under section 751(b)(1).

As discussed above, no gain or loss is recognized by a partnership on a distribution of property to a partner, except to the extent required by section 751(b). *See* Treas. Reg. section 1.731-1(b). Under section 751(b)(1)(A), no part of the TAC Transfers made to HS, CS, and Cassano constituted an unrealized receivable or inventory for purposes of section 751(c) or (d), respectively. Rather, the TAC Stock and Debenture all constituted capital assets. Furthermore, under section 751(b)(1)(B), no part of the remaining assets in Silverlight, including the FFWW stock and the rights under the Disney Agreement and the Fox Option Exercise, constituted an unrealized receivable or inventory. We understand that any right of Silverlight to payment under either the Disney Agreement or the Fox Option Exercise was a right to payment in exchange for the FFWW stock, a capital asset in Silverlight's hands. Thus, all the proceeds from the sale of FFWW stock by Silverlight would have constituted amounts received from the sale or exchange of a capital asset. Consequently, none of Silverlight's rights under either the Disney Agreement or the Fox Option Exercise constituted an unrealized receivable or inventory for purposes of section 751.

Accordingly, when Silverlight distributed the TAC Stock to HS and CS, and the Debenture to Cassano in complete redemption of their limited partnership interests, no gain or loss should be recognized as a result of these distributions.

II. GAIN OR LOSS TO HS, CS AND CASSANO ON THE TAC TRANSFERS.

Under section 731(a)(1), gain is not recognized by a partner upon a distribution by a partnership except to the extent that any money distributed exceeds the adjusted basis of such partner's interest in the partnership immediately before the distribution. Loss is not recognized by a partner under section 731(a)(2) in a distribution by a partnership, except to the extent that it is a distribution in liquidation of a partner's interest where no property other than money and unrealized receivables or inventory is distributed, and the basis of the partner's interest in the partnership is greater than the sum of such assets received in distribution.

[32/] In this connection, it should be noted that the Cassano Redemption Agreement provides that the portion of the Debenture which is equal to the fair market value of Cassano's interest in Silverlight, is paid to Cassano in exchange for all of its interest in "partnership property" under section 736(b)(1). The remaining portion of the Debenture is payment in respect of the accrued Guaranteed Payment and is, therefore, treated as a payment under section 736(a)(2). *See* Cassano Redemption Agreement, section 2.3(c). For purposes of this Opinion, references to the Debenture or to the TAC Transfers, which term includes the Debenture, are to the Debenture to the extent its distribution is in exchange for Cassano's interest in Silverlight property under section 736(b)(1).

For purposes of section 731(a)(1), the term "money" includes "marketable securities," which in turn means (for purposes of this section of the Code) financial instruments and foreign currencies that are actively traded. *See* section 731(c). The term "financial instruments" includes stocks and other equity interests, evidences of indebtedness, options, forward or futures contracts, notional principal contracts, and derivatives. Section 731(c)(2)(C). The term "actively traded" for purposes of this section has the meaning given to it in section 1092(d)(1). In that regard, Treas. Reg. section 1.1092(d)-1 provides, in relevant part, that the term includes securities traded on a national securities exchange. An example provided in Treas. Reg. section 1.731-2(c)(2) with respect to the definition of actively traded suggests that common stock listed on a national exchange would fall within the definitional purview of "actively traded," despite having a temporal restriction in place at the time of distribution.

The term "marketable securities," in pertinent part, also includes any interest in an entity if substantially all of the assets of the such entity consist (directly or indirectly) of marketable securities, money, or both. Section 731(c)(2)(B)(v). According to Treas. Reg. section 1.731-2(c)(3)(i):

> For purposes of section 731(c)(2)(B)(v) and this section, substantially all of the assets of an entity consist (directly or indirectly) of marketable securities, money, or both only if 90% or more of the assets of the entity (by value) at the time of the distribution of an interest in the entity consist (directly or indirectly) of marketable securities, money, or both.

The foregoing above-described rules do not apply, however, where the distributing partnership is an "investment partnership" and the partner which receives the distribution is an "eligible partner" thereof. In general, an "investment partnership" includes any partnership which has never been engaged in a trade or business and substantially all the assets (by value) of which have always consisted of money, stock in a corporation, notes, bonds, debentures, or other evidences of indebtedness, interest rate, currency, or equity notional principal contracts, foreign currencies, interests in derivative financial instruments (including options, forward or futures contracts, short positions and similar financial instruments), or in any commodity traded on or subject to the rules of a board of trade or commodity exchange (referred to here as "Investment Assets"). Section 731(c)(3)(C)(i)(I)-(VI). A partnership is not treated as being engaged in a trade or business by reason of any activity undertaken as an investor, trader or dealer in such specified Investment Assets. Section 731(c)(3)(C)(ii)(I). In addition, the Regulations provide that a partnership is not treated as being engaged in a trade or business by reason of (1) reasonable and customary management services provided to a lower-tier investment partnership, or (2) reasonable and customary services provided in assisting the formation, capitalization, expansion or offering of interests in an entity in which the partnership holds or acquires a significant equity interest, provided that the anticipated receipt of compensation for the services does not represent a significant purpose for the partnership's investment in the entity and is incidental to the investment in the entity. Treas. Reg. section 1.731-2(e)(3)(ii) and (iii).

Under section 731(c)(3)(C)(iv), a look-through rule is provided with respect to partnership interests under which a partnership is treated as holding a proportionate share of the assets of any lower-tier partnership and as engaging in any trade or business conducted by a lower-tier partnership. Similarly, a partner who contributes a partnership interest to another partnership is treated as contributing a proportionate share of the assets of the other partnership. Section 731(c)(3)(C)(iv)(II). However, the Regulations limit the look-through rule and provide that the rule will not apply if the upper-tier partnership does not participate in the management of the lower-tier partnership and the interest held by the upper-tier partnership is less than 20% of the total profits and capital interests in the lower-tier partnership. Treas. Reg. section 1.731-2(e)(4). If the look-through rule does not apply to a partnership interest, then that partnership interest is treated as if it were an Investment Asset (*i.e.*, it may be held by an investment partnership). Section 731(c)(3)(C)(iv) (flush language).

The term "eligible partner" means any partner who, prior to the distribution, only contributed Investment Assets permitted to be held by an investment partnership, as described above. Section 731(c)(3)(C)(iii). However, a transferee in a nonrecognition transaction involving the transfer of any portion of an interest of a partner (the transferor) which was not an eligible partner is not treated as an eligible partner. Section 731(c)(3)(C)(iii)(II).

Thus, if *marketable securities* are distributed by an *investment partnership* to an *eligible partner* (as those italicized words are defined for section 731 purposes), the *marketable securities* will not be treated as money, and the partner will not recognize gain on the distribution.

A. **NO GAIN WAS RECOGNIZED BY ANY PARTNER OF SILVERLIGHT, UNDER SECTION 731(a)(1), AS A RESULT OF THE TAC TRANSFERS.**

1. **The TAC Transfers did not constitute a distribution of money under section 731(c)(1).**

a. **At the time of the TAC Transfers, Silverlight qualified as an investment partnership.**

In the instant situation, the TAC Transfers did not constitute a distribution of money under section 731(c)(1). Silverlight did not make any actual cash payments to any of the redeeming partners in the TAC Transfers; further, the Loan, a liability of Silverlight at the time of the TAC Transfers, was allocable to 5161 (the general partner) under Treas. Reg. section 1.752-2, and thus since none of HS, CS or Cassano had any economic risk of loss for any amounts due under it, Silverlight should not be treated as distributing any money to HS, CS or Cassano under section 752(b) as well.

Silverlight is currently and has always constituted an investment partnership, as that term is defined in section 731(c)(3)(C)(i).[33/] We further understand that Silverlight has never engaged in a trade or business for purposes of section 731(c)(3)(C)(i) and has never engaged in any activity other than those related to buying, holding and selling its assets for investment purposes. In that connection, Silverlight's activities or services with respect to its investments complied with the activities and services described in Treas. Reg. section 1.731-2(e)(3).

In addition, with respect to the partnership tier look-through rules, it is our understanding that Silverlight never actively and substantially participated in the management of any partnership in which it owned an interest. We understand further that Silverlight never held 20% or more of the total profits and capital interests of any partnership. Thus, under section 731(c)(3)(C)(iv)(I) and Treas. Reg. section 1.731-2(e)(4), Silverlight should not be treated as engaged in the trade or business of any partnership in which it owned an interest. Rather, pursuant to the flush language of section 731(c)(3)(C)(iv), the partnership interests held by Silverlight should be treated as if they were Investment Assets described in section 731(c)(3)(C)(i). Accordingly, at the time of the TAC Transfers, Silverlight qualified as an investment partnership.

2. At the time of the TAC Transfers, each of HS, CS and Cassano qualified as an eligible partner of Silverlight.

None of HS, CS or Cassano ever contributed any property to Silverlight. Thus, HS, CS and Cassano meet the definition of "eligible partner." In addition, the exception to the definition of "eligible partner," regarding transferors and transferees in nonrecognition transactions, should not apply since: (1) in every nonrecognition transaction in which HS or CS was a transferee of an interest in Silverlight, the transferor of that interest was an eligible partner of Silverlight,[34/] and (2) Cassano was never a transferor or transferee in a nonrecognition transaction. *See* section 731(c)(3)(C)(iii)(II).

[33/] Although the property distributed by Silverlight to HS and CS constituted securities, such securities are not actively traded and thus should not be treated as marketable securities under section 731. Furthermore, if the "look-through" rule (described above) were to apply to the distribution by Silverlight such that the distribution of the stock of TAC would require an analysis of its interests (*i.e.*, 99% of TTP), which in turn would require an analysis of the assets held by TTP (*i.e.*, publicly traded securities), Silverlight could be viewed as having distributed marketable securities (*i.e.*, money), to HS and CS, in such case, the exception for distributions by an investment partnership should apply.

[34/] These nonrecognition transactions include: (1) the distribution on August 1, 2000, of Quartz' interest in Silverlight to the partners of Quartz, including HS, pursuant to the complete liquidation of Quartz, *see* Agreement of Dissolution of Quartz Enterprises L.P., dated August 1, 2000, section 4; (2) the distribution on August 1, 2000, of Merlot's interest in Silverlight to HS and CS pursuant to the complete liquidation of Merlot, *see* Agreement of Dissolution of Merlot Investments, dated August 1, 2000, section 4; and (3) the distribution on August 31, 2001, of Glass Wave's interest in Silverlight to the partners of Glass Wave, including HS and CS, in complete liquidation of Glass Wave, *see* Agreement of Dissolution of Glass Wave Enterprises, L.P., dated August 31, 2001, section 4.

Since Silverlight qualified as investment partnership and each of HS, CS and Cassano qualified as an eligible partner, the TAC Transfers should not constitute a distribution of marketable securities (*i.e.*, money) under section 731(c)(1).

B. NONE OF HS, CS OR CASSANO WILL BE TREATED AS RECOGNIZING GAIN UNDER SECTION 704(c)(1)(B)(i) AS A RESULT OF THE TAC TRANSFERS.

Under current section 704(c)(1)(B), where a partner has contributed property to a partnership and the partnership distributes the property to another partner within seven years[35/] of the contribution, the contributing partner will be required to recognize gain or loss in an amount equal to the gain or loss that would have been allocated to the contributing partner if the property had been sold for its fair market value at the time of the distribution. Treas. Reg. section 1.704(a)(3) provides that property is "section 704(c) property" if, at the time of the contribution, its book value differs from the contributing partner's adjusted tax basis. The regulation further provides that for purposes of this section, book value is equal to fair market value at the time of contribution and is subsequently adjusted for cost recovery and other events that affect the basis of the property.

Silverlight acquired both the TAC Stock and the Debenture from TAC in an original issue. Thus, neither the Debenture nor the TAC Stock was contributed by any partner to Silverlight and section 704(c)(1)(B)(i) should, therefore, not be applicable to the TAC Transfers.

C. NONE OF HS, CS OR CASSANO WILL BE TREATED AS RECOGNIZING GAIN UNDER SECTION 737(a) AS A RESULT OF THE TAC TRANSFERS.

Under current section 737(a), a partner who has contributed section 704(c) property and who receives a distribution of property within seven years[36/] is required to

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In each of these nonrecognition transactions, the transferor was an "eligible partner." First, we understand that all the property contributed by Merlot, Quartz and Glass Wave to Silverlight consisted of the items set forth in section 731(c)(3)(C)(i)(I) through (VI), except for interests in partnerships contributed by Merlot and Quartz, *see* Merlot and Quartz Contribution Agreement dated August 1, 2000; Glass Wave Contribution Agreement dated August 31, 2001. Second, as to the contributed interests in partnerships, Merlot and Quartz never contributed an interest in a partnership of which they actively and substantially participated in the management and never held 20 percent or more of the total profits and capital interests in any partnership. Thus, all the interests in partnerships contributed by Merlot and Quartz should be treated as items specified in section 731(c)(3)(C)(i) by reason of Treas. Reg. section 1.731-2(e)(4), and consequently, these transferors should be treated as "eligible partners."

[35/] The Taxpayer Relief Act of 1997 increased the period to which section 704(c)(1)(B) applies from five to seven years. This change applies, however, only to property contributed after June 8, 1997.

[36/] As with section 704(c)(1)(B), the Taxpayer Relief Act of 1997 increased the period to which section 737 applies from five to seven years. This change applies, however, only to property contributed after June 8, 1997. Property contributed prior to that date continues to be subject to the five-year period. *See* H.R. Conf. Rep. No.

recognize gain in an amount equal to the *lesser* of (1) the excess of the fair market value of the distributed property over the adjusted basis of the distributee's partnership interest or (2) the "net precontribution gain" of the partner. "Net precontribution gain" is defined by section 737(b) and Treas. Reg. section 1.737-1(c)(1) as the net gain, if any, that the distributee partner would have recognized under section 704(c)(1)(B) and Treas. Reg. section 1.704-4 if, all section 704(c) property contributed by the distributee partner within seven years of the distribution and still held by the partnership were distributed to another partner. Gain recognized under section 737 is in addition to any gain recognized under section 731. Treas. Reg. section 1.737-1(a)(1). In addition, the Regulations provide that the transferee of all or part of a contributing partner's interest succeeds to the transferor's net precontribution gain, if any, in an amount proportionate to the interest transferred. Treas. Reg. section 1.737-1(c)(2)(iii). Furthermore, property received by a partnership in exchange for contributed property in a nonrecognition transaction is treated as contributed property to the extent it was treated as section 704(c) property under Treas. Reg. section 1.704-3(a)(8) (which discusses the disposition of section 704(c) property in a nonrecognition transaction in the context of section 704(c)). *See* Treas. Reg. section 1.737-2(d)(3).

Section 737 does not apply to a transfer by a partnership of all its assets and liabilities to a second partnership in complete liquidation of the transferor partnership. Treas. Reg. sections 1.737-2(a) and (b)(1). However, a subsequent distribution of section 704(c) property by the transferee partnership will be subject to section 737(a) to the same extent that a distribution by the transferor partnership would have been subject to section 704(c)(1)(B). *See* Treas. Reg. section 1.737-2(b)(3) and Treas. Reg. section 1.704-4(c)(4). In the instant case, the net precontribution gain of HS and CS with respect to Silverlight at the time of the TAC Transfers was zero. Neither HS nor CS ever contributed any property to Silverlight. As a result of the transfer of a portion of Glass Wave's interest in Silverlight to HS and CS, HS and CS succeeded to Glass Wave's net precontribution gain, if any, under Treas. Reg. section 1.737-1(c)(2)(iii), at the time of the TAC Transfers. Silverlight did not hold, immediately before the TAC Transfers, any section 704(c) property that was contributed by Glass Wave and that would be subject to section 737. Glass Wave contributed to Silverlight only the SEI stock, the Cassano Notes, cash and cash equivalents. Silverlight exchanged the SEI stock in August 1997 for the Original Block of Silverlight FFWW Stock and it transferred the Cassano Notes to 5161 on September 27, 2001. The assets contributed to Silverlight by Glass Wave, other than the FFWW stock, did not constitute section 704(c) property.

Under Treas. Reg. section 1.737-2(d)(3), the Original Block of Silverlight FFWW Stock, received by Silverlight in a section 351 nonrecognition transaction, would be treated as contributed property with respect to Glass Wave, but only to the extent that the property was treated as section 704(c) property when held by Glass Wave and otherwise subject to section 737. Silverlight's SEI stock was contributed by Glass Wave to Silverlight in December 1992,

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105-220, at 594-595 (1997). To the extent the discussion above relates to property contributed prior to June 9, 1997, such property should be subject to the five-year period (and not the seven-year period).

more than seven years prior to the distribution of the TAC Stock and thus Treas. Reg. section 1.737-2(d)(3) should not apply to the Original Block of Silverlight FFWW Stock.

HS and CS also did not succeed to any net precontribution gain as a result of the transfers from Merlot and Quartz to them of their respective interests in Silverlight. In August 2000, Merlot and Quartz each made a transfer of all of their assets and liabilities to Silverlight in an exchange described in section 721, followed by a distribution of their interests in Silverlight to their partners in complete liquidation. As discussed above, under Treas. Reg. section 1.737-2(b)(3) and Treas. Reg. section 1.704-4(c)(4), a subsequent distribution by Silverlight, the transferee partnership, to its partners of any of the property contributed by Merlot or Quartz is subject to section 704(c)(1)(B) to the same extent that a distribution by Merlot or Quartz, respectively, would have been subject to section 704(c)(1)(B). Merlot and Quartz did not contribute any property to Silverlight other than FFWW stock, other Investment Assets, and interests in partnerships. As to the FFWW stock, Merlot and Quartz each received their FFWW stock in exchange for their SEI stock in a section 351 nonrecognition transaction; and had received their SEI stock as a contribution in December 1993, more than seven years prior to the TAC Transfers. *See* Treas. Reg. section 1.704-4(d)(1). Thus, Merlot's and Quartz' FFWW stock should not be treated for purposes of section 737 as contributed within seven years of the TAC Transfers. In addition, none of the other properties contributed by Merlot and Quartz to Silverlight were contributed to Merlot or Quartz, and such properties were acquired by Merlot and Quartz at a tax basis equal to their value. Accordingly, no gain would have been recognized by any partner of Merlot or Quartz under section 704(c)(1)(B) had either of them distributed any of their properties to another of their partners at the time of the TAC Transfers. Since a distribution by Merlot and Quartz would not have been subject to section 737, a subsequent distribution by Silverlight of the other properties contributed by Merlot and Quartz would also not be subject to section 737. *See* Treas. Reg. section 1.737-2(b)(3) and Treas. Reg. section 1.704-4(c)(4).

Cassano also did not have any net precontribution gain with respect to Silverlight at the time of the TAC Transfers. First, Cassano never transferred any property to Silverlight. Second, we understand that Glass Wave, which sold its interest in Silverlight to Cassano in 1992 and 1993, did not make any transfers of partnership interests after February 1993, more than seven years prior to the TAC Transfers. Thus, none of the net precontribution gain that Cassano succeeded to under Treas. Reg. section 1.737-1(c)(2)(iii) arose from property contributed to Silverlight within seven years of the TAC Transfers.

Accordingly, there was no precontribution gain with respect to Silverlight at the time of the TAC Transfers, and none of HS, CS, and Cassano will be subject to section 737(a) with respect to the TAC Transfers.

III. ADJUSTMENT TO THE BASIS OF SILVERLIGHT'S ASSETS.

Section 734(b) provides, generally, the rules for the adjustment to the basis of partnership property where there has been a distribution of partnership property to a partner. The

adjustment under section 734(b) is allocated among the remaining partnership property pursuant to section 755.

The basis of partnership property is not adjusted as a result of a distribution of property to a partner unless a section 754 election is in effect with respect to the partnership. *See* section 734(a). If, however, a section 754 election is in effect, upon a distribution the partnership is required to increase or decrease, as the case may be, the adjusted basis of its remaining partnership property under certain circumstances. *See* section 734(b). A partnership increases the adjusted basis of its partnership property in the case of a distribution where section 732(a)(2) (distributions other than in liquidation) or 732(b) (distributions in liquidation) applies, by:

> [T]he excess of the adjusted basis of the distributed property to the partnership immediately before the distribution . . . over the basis of the distributed property to the distributee, as determined under section 732.

Section 734(b)(1)(B).

A section 754 election, once made, applies to all subsequent distributions unless the election is revoked. Treas. Reg. section 1.754-1(a) specifically provides, "if a valid election has been made under section 754 and this section for a preceding taxable year and not revoked pursuant to paragraph (c) of this section , a new election is not required to be made." The election is made by the partnership's filing a written statement[37] with its timely filed tax return (including extensions) for the taxable year in which the election is to first apply. *See* Treas. Reg. section 1.754-1(b).

In general, a revocation of a section 754 election is permissible only with the consent of the Service. The Regulations require that the partnership file an application setting forth the grounds on which revocation is desired. Treas. Reg. section 1.754-1(c)(1). The application must be filed within 30 days after the close of the partnership taxable year for which the revocation is to apply.

However, a special rule is provided in Treas. Reg. section 1.754-1(c)(2) which allows any partnership with a section 754 election in effect for a tax year including December 15, 1999, to revoke the election (without reason or explanation) for all post-December 14, 1999, transfers or distributions by attaching a statement to its partnership return for that tax year. The return must be filed on or before the due date (including extensions) for the year's return. The statement must include the name and address of the partnership, contain a declaration of the revocation of the section 754 election and be signed by a partner who is

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[37] The statement must set forth the name and address of the partnership, be signed by any one of the partners, and contain a declaration that the partnership elects to apply the provisions of sections 734(b) and 743(b). Treas. Reg. section 1.754-1(b).

authorized to sign the partnership tax return. In addition, the return itself must prominently state on the first page of the return: "Return Filed Pursuant to § 1.754-1(c)(2)."

A. SILVERLIGHT IS REQUIRED UNDER SECTION 734(b)(1)(B) TO INCREASE THE ADJUSTED BASIS OF ITS UNDISTRIBUTED PROPERTIES AS A RESULT OF THE TAC TRANSFERS.

Silverlight was a validly formed partnership under California law at the time of the TAC Transfers and had been operating as an investment partnership since its inception, and engaged in frequent and substantial investment transactions for approximately six years prior to the TAC Transfers. Silverlight should, thus, be treated as a partnership for U.S. Federal income tax purposes under Treas. Reg. section 301.7701-3. The Silverlight Partnership Agreement in effect at the time of the TAC Transfers provides that Cassano held 100% of the Class A interest and HS and CS held 60.6211% and 33.9377%, respectively, of the Class B interest in Silverlight. Thus, Cassano, HS and CS should be treated as partners of Silverlight for Federal income tax purposes at the time of the TAC Transfers. *See* sections 761(b) and 7701(a)(2) (the term "partner" means a member of a partnership). In addition, Silverlight was the owner of the TAC Stock and Debenture at the time of the TAC Transfers. As discussed in the Facts above, Silverlight transferred $800 million on September 24, 2001, to TAC in exchange for the Debenture and as a contribution to TAC's capital. Silverlight derived all the benefits and bore all of the burdens of ownership of the TAC Stock and Debenture. On September 28, 2001, Silverlight transferred all of the TAC Stock to HS and CS and transferred the Debenture to Cassano in complete redemption of their respective interests. Silverlight relinquished all of the benefits and burdens of owning the TAC Stock and the Debenture; and HS and CS acquired the benefits and burdens of owning the TAC Stock and Cassano acquired the benefits and burdens of owning the Debenture.

As discussed above, the transfers of the TAC Stock and Debenture constitute partnership distributions by Silverlight under sections 731 and 736(b). In addition, the TAC Stock and Debenture were property to which section 732(b) applied, *i.e.*, distributions in liquidation. Under the Redemption Agreements, the distributions of the TAC Stock and Debenture were in full and complete consideration of the complete liquidation and redemption of the interests of HS, CS and Cassano in Silverlight. Thus, the TAC Stock and Debenture were distributed to HS, CS and Cassano in complete liquidation of their interests in Silverlight within the meaning of sections 732(b) and 761(d) and Treas. Reg. section 1.761-1(d).

1. Assuming a valid and timely section 754 election is made with its partnership tax return for the taxable year ended December 31, 2001, Silverlight will have in effect a section 754 election that is applicable to the TAC Transfers.

It is our understanding that Silverlight will make a valid and timely section 754 election and will file the written statement described in Treas. Reg. section 1.754-1(b) with its partnership tax return for its taxable year beginning September 2, 2001 and ending December 31,

2001 (the taxable year in which the TAC Transfers were made to HS, CS and Cassano), within the time set forth in such regulations. (*See* Section 8 of the Fourth Amended and Restated Limited Partnership Agreement authorizing the General Partner to make the section 754 election if appropriate). In addition, we understand that Silverlight, in compliance with Treas. Reg. section 1.734-1(d), will attach a statement to its partnership tax return for the taxable year ending December 31, 2001, setting forth the computation of the adjustment and the Silverlight properties to which the adjustment has been allocated.

As discussed above, the TAC Transfers took place on September 28, 2001. On September 1, 2001, Glass Wave transferred its partnership interests in Silverlight to HS and CS in liquidation. Under section 708(b)(1)(B), Silverlight is considered terminated on September 1, 2001, for Federal income tax purposes because there had been an "exchange" of 50% or more of its interests. *See* Treas. Reg. section 1.708-1(b)(3)(ii). In this connection, section 761(e) specifically provides that for purposes of section 708, any distribution of a partnership interest will be treated as an "exchange."

Treas. Reg. section 1.708-1(b)(3) provides that a partnership taxable year closes with respect to all partners on the date on which the partnership terminates. *See also* section 706(c)(1) (the partnership taxable year closes in the event of a partnership termination). Accordingly, Silverlight's partnership year closed on September 1, 2001, the date of its technical termination under Treas. Reg. section 1.708-1(b)(3)(ii). Under section 706(b)(1)(B), Silverlight was required after its termination to adopt the same tax year as the partner or partners owning more than 50% of the partnership's profits and capital (the "majority interest partners"). This majority interest must be determined on a specific "testing day" and, under section 706(b)(4)(A), the first day of a partnership's tax year is considered such a "testing day." Thus, on September 2, 2001, (the first day of Silverlight's partnership tax year after its termination), Silverlight was required to adopt the calendar year, *i.e.*, the tax year of HS, its majority interest partner, as its taxable year. The TAC Transfers thus occurred during Silverlight's taxable year beginning September 2, 2001 and ending December 31, 2001, and the section 754 election should, therefore, apply to the TAC Transfers.

a. The revocation of a prior section 754 election previously in effect does not impair Silverlight's ability to file a new section 754 election for its taxable year beginning September 2, 2001 and ending December 31, 2001.

Silverlight filed a timely section 754 election with its partnership tax return for the year ended December 31, 1992, applicable to transfers and distributions beginning in the year 1992. Under Treas. Reg. section 1.754-1(a), Silverlight's 1992 section 754 election applied to all property distributions and transfers of partnership interests until the election was revoked in accordance with Treas. Reg. section 1.754-1(c). It is our understanding that pursuant to the requirements of Treas. Reg. section 1.754-1(c)(2), Silverlight validly revoked its section 754 election, for post-December 14, 1999 transfers and distributions, by attaching the required

statement to its partnership tax return for the year ended December 31, 1999. *See* 1999 Form 1065 for Silverlight. Nothing in the Regulations or any other legal authority suggests that revoking a section 754 election under Treas. Reg. section 1.754-1(c) prohibits the partnership from making a new section 754 election with respect to a later year.

In fact, in the instant case, the technical termination of Silverlight under section 708(b)(1)(B) which occurred on September 1, 2001, nullifies elections made by the terminated partnership and allows the reconstituted partnership to make new elections. Since a termination of a partnership results in the constructive creation of a new partnership, under Treas. Reg. section 1.708-1(b)(4), the "new" partnership must make all new elections required to be made by the partnership. In Rev. Rul 86-73, 1986-1 C.B. 282 and Rev. Rul 88-42, 1988-1 C.B. 265, the Service specifically stated that if a "new" partnership which results from a technical termination under section 708(b)(1)(B) wants to make a section 754 election, it will have to file a new election.[38/] In addition, we also note that a series of private letter rulings provided section 9100 relief to partnerships that inadvertently failed to file a timely section 754 election after a technical termination of the partnership under section 708(b)(1)(B). In Priv. Ltr. Rul. 200209046 (March 1, 2002), the Service granted a partnership which had technically terminated under section 708(b)(1)(B) an extension of time to make a section 754 election where the "taxpayer was unaware of the necessity of filing short year returns, and the filing of a section 754 election for the new partnership. As a direct consequence, it inadvertently failed to timely file LLC's section 754 election." *See also* Priv. Ltr. Rul. 200215011 (April 14, 2002) (extension of time granted to make a section 754 election for the new partnership); Priv. Ltr. Rul. 200125065 (June 25, 2001) (same); Priv. Ltr. Rul. 200044009 (November 6, 2000) (same). Accordingly, after the technical termination of Silverlight, in order for Silverlight to once again make the adjustments provided in sections 734(b) and 743(b), a new section 754 election is required to be made which will then apply to all property distributions and transfers of partnership interests taking place in the partnership taxable year beginning on September 2, 2001 and ending December 31, 2001 and in all subsequent taxable years.

2. The flush language in section 734(b), denying the application of section 734(b)(1)(B) to a distribution of an interest in a partnership with respect to which a section 754 election is not in effect, does not apply to the TAC Transfers.

Where a partnership (upper tier partnership, "UTP") is distributing its interest in another partnership (lower tier partnership, "LTP"), the basis adjustments will only apply where

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[38/] The Revenue Rulings specifically hold that a section 754 election in effect (or made by the terminating partnership with its final return) for the taxable year in which a technical termination occurs will apply to an incoming partner (whose acquisition resulted in the termination) so that the bases of partnership assets are adjusted prior to their deemed distribution to the partner. The holdings of these Rulings are now incorporated, without substantive change, into Treas. Reg. section 1.708-1(b)(5). *See* Preamble to T.D. 8717, 62 Fed Reg. 25498 (May 9, 1997).

both the UTP and LTP have section 754 elections in place. Section 734(b)(i) (flush language). *See also* Rev. Rul. 92-15, 1992-1 C.B. 215.

Although the basis "step-up" provided for in section 734(b)(1)(B) will not apply on the distributions by a partnership of an interest in a partnership, unless both partnerships have section 754 elections in place, this prohibition should not apply to the TAC Transfers. In the instant case, Silverlight did not distribute "property which is an interest in another partnership." Rather, Silverlight distributed the Debenture and the stock of TAC, a validly formed corporation under Delaware law.

Moreover, Silverlight should not be treated in substance as having distributed an interest in TTP since Silverlight's ownership of the TAC Stock and Debenture should not be disregarded for tax purposes. The formation of TAC by Silverlight and its acquisition of the TAC Stock and Debenture were effected for bona fide nontax business purposes and did not lack economic substance. TAC was formed by Silverlight to acquire a 99% interest in TTP and it formed TAC as a C corporation to insulate itself from any liability that could arise from the direct ownership of TTP. Thus, Silverlight should not be treated as distributing an interest in a partnership and the flush language in section 734(b) should not apply to the TAC Transfers.

B. ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY UNDER SECTION 734(b)(1)(B).

As discussed above, a partnership increases the adjusted basis of its partnership property in a section 732(b) distribution in liquidation by the excess of the adjusted basis of the distributed property to the partnership immediately before the distribution over the basis of the distributed property to the distributee, as determined under section 732. Thus, assuming a valid and timely section 754 election is made, Silverlight will increase the basis of its undistributed property by the difference between its adjusted basis in the TAC Stock and Debenture immediately before the TAC Transfers and the redeemed partners' bases in the TAC Stock and Debenture.

1. For purposes of determining the amount of Silverlight's basis adjustment under section 734(b)(1)(B), Silverlight's adjusted basis in the Debenture immediately before the TAC Transfers is increased by its basis adjustment under section 743(b) for the Original Block of Silverlight FFWW Stock with respect to Cassano.

In the case of a distribution of property by a partnership to a partner who obtained his partnership interest by transfer with respect to which the section 754 election was in effect, any previous adjustment made under section 743(b) to the basis of property is taken into account for purposes of applying the adjustment under section 734(b). *See* Treas. Reg. sections 1.734-2(a) and 1.732-2(b).

Under Treas. Reg. section 1.734-2(a), if the distributee acquired his interest in a transfer subject to section 743(b), "the adjustments to basis provided in section 743(b) . . . shall be taken into account in applying the rules under section 734(b)." Under Treas. Reg. section 1.732-2(b), the amount of any special section 743(b) basis adjustment to which a distributee is entitled with respect to the distributed property is taken into account as part of the partnership's basis for the distributed property under section 732.

Treas. Reg. section 1.743-1(g)(3) sets forth the rules regarding the coordination with section 732 in cases where a partner's interest is completed liquidated. Where a partner receives a distribution in liquidation of his entire partnership interest, the partner is considered to have relinquished his interest in any remaining partnership properties. Under Treas. Reg. section 1.743-1(g)(3), if, in connection with a liquidating distribution, a partner relinquishes an interest in property with respect to which he is entitled to a section 743(b) basis adjustment, the basis adjustment with respect to the relinquished property is reallocated to the distributed property and taken into account as part of the partnership's basis in the distributed property under section 732. *See also* Treas. Reg. section 1.743-1(g)(5), Example (v).

In the instant case, Silverlight had a section 754 election in effect at the time Cassano purchased its interest in Silverlight from Glass Wave in 1992 and 1993. It is our understanding that this resulted in a basis increase under section 743(b) with respect to Cassano for Silverlight's SEI stock of approximately $18,890,630.

We further understand that in August of 1997, Silverlight received the Original Block of Silverlight FFWW Stock in a section 351 transaction in exchange for its SEI stock. Under Treas. Reg. section 1.743-1(h)(2)(iii), a partnership's adjusted basis in stock received from a corporation in a section 351 transfer is determined without reference to the basis adjustment in the transferred property. A partner with a basis adjustment in property transferred to the corporation, however, has an inherent basis adjustment in the stock received by the partnership in the exchange equal to the partner's basis adjustment in the transferred property (reduced by any basis adjustment that reduced the partner's gain under Treas. Reg. section 1.743-1(h)(2)(ii)). *See also* Treas. Reg. section 1.743-1(h)(2)(iv), Example. Accordingly, Cassano had a basis adjustment with respect to the Original Block of Silverlight FFWW Stock received by Silverlight in the section 351 transfer equal to the amount of Cassano's basis adjustment in the transferred SEI stock.

As discussed above, where a distributee receives a property distribution (whether or not the transferee has a basis adjustment in the property) in liquidation of its partnership interest, the adjusted basis to the ~~partnership of the~~ distributed property immediately before the distribution includes the distributee's basis adjustment for the property in which the distributee relinquished an interest. *See* Treas. Reg. section 1.743-1(g)(3). Accordingly, when Cassano received the Debenture in complete liquidation of its interest in Silverlight, the adjusted basis of the Debenture to Silverlight immediately before the TAC Transfers should include Cassano's basis adjustment for the Original Block of Silverlight FFWW Stock. Consequently, for purposes of determining the amount of Silverlight's basis adjustment under section 734(b)(1)(B),

Silverlight's adjusted basis in the Debenture immediately before the TAC Transfers should be increased by the amount of Cassano's section 743(b) adjustment.

a. Silverlight's revocation of its prior section 754 election did not affect the basis adjustment of the Original Block of Silverlight FFWW Stock then in effect with respect to Cassano.

Treas. Reg. section 1.754-1(a) provides that "an election made under the provisions of this section shall apply to all property distributions and transfers of partnership interests taking place in the partnership taxable year for which the election is made and in all subsequent partnership taxable years unless the election is revoked pursuant to paragraph (c) of this section ." Treas. Reg. section 1.754-1(c)(2), the regulation pursuant to which Silverlight revoked its 1992 section 754 election, provides that any partnership having an election in effect for a taxable year that includes December 15, 1999, may revoke such election "effective for transfers or distributions occurring on or after December 15, 1999" by attaching a statement to its partnership tax return for such taxable year. The revocation is not a retroactive revocation; it only applies to transfers or distributions occurring on or after December 15, 1999. Thus, the section 754 election Silverlight made in 1992 applied to all property distributions and transfers of partnership interests, including the transfer to Cassano, for such year and subsequent partnership taxable years until the election was revoked but only for transfers and distributions occurring post-December 14, 1999. Accordingly, Silverlight's revocation of its section 754 election under Treas. Reg. section 1.754-1(c)(2) did not affect the basis adjustment under section 743(b) then in effect for the Original Block of Silverlight FFWW Stock with respect to Cassano.

b. The technical termination of Silverlight on September 1, 2001 under section 708(b)(1)(B) did not affect the basis adjustment of the Original Block of Silverlight FFWW Stock then in effect with respect to Cassano.

Treas. Reg. section 1.743-1(h)(1) provides that where a partner has a basis adjustment with respect to partnership property before a section 708(b)(1)(B) termination, the partner will continue to have the basis adjustment with respect to the property held by the "new" partnership after the termination regardless of whether the new partnership makes the basis adjustment election. Consequently, Silverlight's basis adjustment for the Original Block of Silverlight FFWW Stock with respect to Cassano was not affected by the termination of Silverlight on September 1, 2001 under section 708(b)(1)(B).

2. There is no adjustment to the basis of the TAC Stock and Debenture under section 732(d) prior to the TAC Transfers.

A partnership's basis in its assets is not adjusted on a transfer of a partnership interest absent a section 754 basis adjustment election. Section 732(d) provides an exception and is available to a partner who: (1) acquires his partnership interest by transfer when the partnership did not have a section 754 election in effect for the year of transfer; and (2) receives

a distribution of property (other than money) within two years after the transfer of the partnership interest. Under Treas. Reg. section 1.732-1(d), a transfer of a partnership interest occurs upon a sale or exchange of an interest or upon the death of a partner. In the above circumstances, the partner may elect the same basis treatment on the distributed property he would have been entitled to under section 743(b) if the partnership had a section 754 election in effect when he acquired his interest.

The above-described basis adjustment for distributions to partners within two years of their acquisition of a partnership interest is elective under section 732(d). However, section 732(d) and the Regulations thereunder *require* an adjustment to distributed property in some circumstances. A partner who acquired his partnership interest by a transfer to which the section 754 election was not in effect is required to apply the section 732(d) adjustment to a distribution made to him at any time (not only within two years) if at the time the interest was acquired:

(1) The fair market value of all partnership property (other than money) exceeded 110% of its adjusted basis to the partnership;

(2) An allocation of basis under section 732(c) upon a liquidation of the partner's interest immediately after the transfer would have shifted basis from property not subject to an allowance for depreciation, depletion, or amortization to property subject to such allowance; and

(3) A basis adjustment under section 743(b) would change the basis to the distributee of the property actually distributed.

See section 732(d) and Treas. Reg. section 1.732-1(d)(4). All three conditions must be satisfied in order for the mandatory application of section 732(d) to occur.

As discussed above, HS and CS acquired their interests in Silverlight through partnership distributions from Glass Wave, Merlot and Quartz. It appears that the distributions by Glass Wave, Merlot and Quartz of the Silverlight partnership interests to HS and CS would be treated as an exchange for purposes of section 732(d). However, in this instance, two of the three conditions to mandatory application of section 732(d) will not be satisfied. First, Silverlight owned no depreciable property at the time HS and CS received their partnership interests in Silverlight from Glass Wave, Merlot and Quartz in 2000 and 2001. Thus, under Treas. Reg. section 1.732-1(d)(4)(ii), no shift of basis from non-depreciable property to depreciable property would have resulted from an allocation of basis under section 732(c) if HS' and CS' interests in Silverlight had been liquidated immediately after the acquisition of their interests. Second, the condition in Treas. Reg. section 1.732-1(d)(4)(iii) which requires that the application of section 743(b) change the basis of the property actually distributed to the transferee should also not be satisfied since the actual property distributed, the TAC Stock, was not owned by Silverlight at the time HS and CS acquired their interests in Silverlight. Thus, a section 743(b) basis adjustment would not have changed the basis of the TAC Stock and, consequently, Treas. Reg. section 1.732-1(d)(4)(iii) should not apply to HS and CS. Since two

of the three conditions requiring mandatory application of section 732(d) are not satisfied in this instance, section 732(d) should not apply to HS and CS.

Section 732(d) should also not apply to Cassano since a section 754 election was in effect when Cassano acquired its interest in Silverlight. Section 732(d) and Treas. Reg. section 1.732-1(d)(4) apply, by their own terms, only to a partner who acquired his interest by a transfer to which the section 754 election was not in effect. Thus, section 732 should also not apply to Cassano.[39/]

Accordingly, section 732(d) should not be applicable to HS, CS or Cassano.

IV. HS', CS' AND CASSANO'S ADJUSTED BASIS IN THE TAC STOCK AND DEBENTURE.

Section 732(b) governs a partner's basis in property received in liquidation of a partner's entire interest in the partnership and provides that the basis of property distributed is equal to the partner's adjusted basis in his partnership interest immediately prior to the distribution, reduced by any cash received in the same transaction. *See also* Treas. Reg. section 1.732-1(b).

Under section 752, the basis of a partner's partnership interest is adjusted to reflect the partner's share of partnership liabilities. Section 752(a) provides that any increase in a partner's share of partnership liabilities is considered a contribution of "money" by the partner to the partnership which, under section 722, increases the basis of the partner's interest in the partnership.

The determination of a partner's share of partnership liabilities depends on whether the liabilities are recourse liabilities or nonrecourse liabilities Under the Regulations, a partnership liability is a recourse liability to the extent that any partner or a related person[40/] bears the "economic risk of loss" with respect to the liability. Treas. Reg. section 1.752-1(a)(1). A partner's share of a partnership recourse liability equals the portion of that liability for which the partner or related person bears the economic risk of loss. Treas. Reg. section 1.752-2(a). Thus, a partner shares in a recourse liability, and includes the amount of the liability in his

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[39/] It is our understanding that Silverlight owned no depreciable property at the time Cassano purchased its interest from Glass Wave in 1992 and 1993. Thus, even if section 732(d) were to apply to Cassano, no shift of basis from non-depreciable property to depreciable property would have resulted from an allocation of basis under section 732(c) if Cassano's interest in Silverlight had been liquidated immediately after the transfer.

[40/] A person is related to a partner if he bears a relationship to the partner that is specified in section 267(b) or section 707(b)(1) with the following modifications: (1) "80% or more" is substituted for "more than 50%" each place it appears in those sections; (2) brothers and sisters are not considered to be members of a person's family; and (3) section 267(f)(1)(A) (which provides for certain modifications in the definition of controlled groups) and the special rule for pass-through entities in section 267(e)(1) do not apply. Treas. Reg. section 1.752-4(b)(1).

adjusted basis in his partnership interest, only to the extent that the partner or a person related to the partner bears the economic risk of loss.

Regulation section 1.752-2(b)(1) provides that a partner bears the economic risk of loss for a liability to the extent that, if the partnership constructively liquidated, the partner (or related person) would be obligated to make a payment to any person or a contribution to the partnership because the liability becomes due and payable and the partner (or related person) would not be entitled to reimbursement from another partner or a person related to another partner.

For purposes of the section 752 Regulations, the term "constructive liquidation" means a hypothetical situation in which the following events are deemed to occur:

(1) All of the partnership's liabilities become payable in full;

(2) With the exception of property contributed to secure a partnership liability, all of the partnership's assets, including cash, have a value of zero;

(3) The partnership disposes of all its property in a fully taxable transaction for no consideration, (except relief from liabilities for which the creditor's right to repayment is limited solely to one or more assets of the partnership);

(4) All items of partnership income, gain, loss, or deduction are allocated among the partners in accordance with the partnership agreement; and

(5) The partnership liquidates.

In applying the economic risk of loss standard, the Regulations attempt to ascertain the partner who would bear the economic burden of discharging the liability if the partnership were unable to do so. The constructive liquidation analysis reflects the economic risk of loss by assuming that the partnership assets become worthless, stripping the partnership of its nonrecourse liabilities and determining the effects that the hypothetical transaction would have on the partners' capital accounts.

As discussed above, a partner does not bear the economic risk of loss with respect to a partnership liability unless the partner or a related person would be obligated, upon a constructive liquidation, to make a payment to any person, or a contribution to the partnership. Treas. Reg. section 1.752-2(b)(1). In determining whether a partner has a payment obligation with respect to a partnership liability, all of the following statutory and contractual obligations are taken into account:

(1) Contractual obligations outside the partnership agreement such as guarantees, reimbursement agreements, and other obligations running directly to creditors or to other partners, or to the partnership;

(2) Obligations to the partnership that are imposed by the partnership agreement, including the obligation to make a capital contribution and to restore a deficit capital account upon liquidation of the partnership; and

(3) Payment obligations imposed by state law, including the governing state partnership statute.

Treas. Reg. section 1.752-2(b)(3). Thus, private contractual agreements, the partnership agreement, and applicable state law are all analyzed to determine the existence of a payment obligation or contribution obligation to the partnership. For this purpose, it is assumed that all partners and related persons who have obligations to make payments would actually perform these obligations, irrespective of their actual net worth, unless the facts and circumstances indicate a plan to circumvent or avoid the obligation. Treas. Reg. section 1.752-2(b)(6).

Treas. Reg. section 1.752-2(b)(5) makes it clear that a partner's (or related person's) obligation to make a payment with respect to a partnership liability is reduced to the extent that the partner (or related person) is entitled to reimbursement from another partner or a person related to another partner. Correspondingly, as discussed above, the reimbursement obligation of a partner is a payment obligation that is taken into account in determining the share of partnership liabilities. *See* Treas. Reg. section 1.752-2(b)(3)(i). *See also* Priv. Ltr. Rul. 200050032 (September 15, 2000) (where an LLC member guaranteed payment of a liability, waived any subrogation or similar rights to repayment and agreed to indemnify the LLC if it were required to satisfy the liability, the liability was a recourse liability for which the LLC member bore the economic risk of loss).

Example 4 of Treas. Reg. section 1.752-2(f) illustrates the reimbursement rights principle. In Example 4, a limited partner guarantees a portion of a recourse partnership liability. The example provides that if under state law, the limited partner is subrogated to the rights of the lender, the limited partner would have the right to recover the amount it paid from the general partner, who is generally liable for partnership obligations. The limited partner's payment obligation under the guarantee is thus fully offset by the subrogation arrangement. The example, therefore, concludes that the limited partner does not bear the economic risk of loss for the partnership liability. Similarly, Example 3 of Treas. Reg. section 1.752-2(f) illustrates that a guarantee by a limited partner of a partnership recourse liability is generally offset by the presumption that the general partner will satisfy its deficit capital account restoration obligation and thus the limited partner would not have to satisfy the guarantee and would not bear the economic risk of loss.

A. FOR PURPOSES OF DETERMINING THE AMOUNT OF SILVERLIGHT'S BASIS ADJUSTMENT UNDER SECTION 734(b)(1)(B), THE BASES OF HS, CS AND CASSANO IN THEIR PARTNERSHIP INTERESTS IN SILVERLIGHT DO NOT INCLUDE ANY BASIS INCREASE FOR ANY AMOUNT TREATED UNDER SECTION 752(a) AS A CONTRIBUTION OF MONEY ATTRIBUTABLE TO THE LOAN OR THE TAC TRANSFERS.

1. No share of the Loan was allocable to HS, CS or Cassano under Treas. Reg. section 1.752-2 at the time the Loan was incurred.

To summarize the discussion above, a partnership liability is a recourse liability to the extent that any partner (or related person) bears the economic risk of loss. A partner bears the economic risk of loss for a partnership liability in the amount that the partner (or related person) would be obligated to pay to any person or contribute to the partnership, without rights to reimbursement, assuming the partnership is constructively liquidated and the liability becomes due and payable. *See* Treas. Reg. section 1.752-2(b)(1). The Regulations emphasize that whether a partner has a liability for a partnership obligation is determined by taking into account all statutory and contractual obligations relating to the partnership liability including contractual obligations outside the partnership agreement (*i.e.*, guarantees, indemnifications, reimbursement agreements, et cetera), obligations imposed by the partnership agreement and payment obligations imposed by state law. *See* Treas. Reg. section 1.752-2(b)(3).

Under Treas. Reg. section 1.752-2, each of HS', CS' and Cassano's share of the Loan should be zero after Silverlight incurred the Loan. This is because, after applying the economic risk of loss standard provided in the Regulations, none of these limited partners would bear the economic burden of discharging the Loan if Silverlight were unable to do so (discussed further below). Rather, 5161, as the general partner of Silverlight, would bear the economic risk of loss with respect to the Loan.

It is our understanding that Silverlight was obligated for all amounts due under the Loan, without any limitation on HSBC's recourse. Furthermore, we understand that Silverlight did not have the right to require HSBC to offset any amounts due under the Loan against HSBC's obligation under the Collar. Section 2.6 of the Credit Agreement specifically provides that "[a]ll payments by the Borrower shall be payable . . . without any set-off, counterclaim, withholding or deduction of any kind." Thus, Silverlight was obligated for the full amount due under the Loan without any right of set off.

Employing the constructive liquidation analysis described in Treas. Reg. section 1.752-2(b) would result in 5161's obligation to make a payment to HSBC or a contribution to Silverlight of the full amount due under the Loan. First, we understand that pursuant to the unlimited guarantee entered into by 5161 in favor of and for the benefit of HSBC, 5161, unconditionally and without limitation, guaranteed Silverlight's obligations under the

Loan. Thus, by virtue of the unlimited guarantee, 5161 had a contractual obligation to make a payment to HSBC, as described in Treas. Reg. section 1.752-2(b)(3)(i). Second, we also understand that 5161 had an obligation to Silverlight imposed by the Partnership Agreement to restore a deficit capital account, as provided in Treas. Reg. section 1.752-2(b)(3)(ii). Section 13.3 of the Fourth Amended and Restated Limited Partnership Agreement specifically provides that the general partner has an unconditional obligation to restore a deficit balance in its capital account upon the liquidation of Silverlight or the liquidation of the general partner's interest in Silverlight. *See also* Treas. Reg. section 1.752-2(f) Example 2 (illustrating a general partner's deficit restoration obligation and economic risk of loss for a recourse liability). Third, it is our understanding that under California law, 5161, as the general partner of Silverlight, would be liable for the debts of Silverlight. Thus, as provided in Treas. Reg. section 1.752-2(b)(3)(iii), state law also imposes a payment obligation on 5161. Pursuant also to the Indemnity Agreements that 5161 entered into with each limited partner of Silverlight, 5161 indemnified each limited partner against any loss incurred by them arising out of the Loan. Thus, if any limited partner made a payment to HSBC pursuant to either the limited guarantee (with respect to all the limited partners) or the contingent guarantee (with respect to HS and CS), 5161 was contractually obligated to indemnify and reimburse such limited partner for any and all amounts paid. Thus, under Treas. Reg. section 1.752-2(b)(3)(i), the Indemnity Agreements and reimbursement arrangements provided therein obligated 5161 to pay all amounts due under the Loan. Consequently, for the reasons described above, the Loan was a recourse obligation for which 5161 bore the economic risk of loss.

Furthermore, HS, CS and Cassano had no economic risk of loss under Treas. Reg. section 1.752-2 for any amounts due under the Loan. Under the constructive liquidation analysis, none of HS, CS or Cassano would have been obligated by virtue of either the limited guarantees entered into by all the limited partners or the contingent guarantee entered into by HS and CS to make any payment under the Loan for which they would not have been entitled to reimbursement from 5161.[41/] First, the Indemnity Agreements 5161 entered into with each of HS, CS and Cassano, as discussed above, granted each of them the right to recover **in full** from 5161 the amounts they were required to pay to HSBC as a guarantor of the Loan under either the limited guarantee or the contingent guarantee. Thus, under Treas. Reg. section 1.752-2(b)(5), any obligation HS, CS or Cassano had under the limited guarantee or the contingent guarantee would be reduced in its entirety since 5161 was required to reimburse them in full for any payments made to HSBC. Second, it is our understanding that to the extent HS, CS or Cassano would have been required, under the constructive liquidation analysis, to make a payment to HSBC under either the limited guarantee or contingent guarantee, they would have been subrogated, under governing law, to HSBC's right to recover in full from Silverlight. Thus, consistent with Example 4 of Treas. Reg. section 1.752-2(f), HS, CS and Cassano should not bear the economic risk of loss for the Loan since they would be subrogated, under state law, to the rights of HSBC and would have the right to recover any amounts paid to HSBC from 5161,

[41/] It is our understanding that both the limited guarantees and contingent guarantee are limited in recourse to the value of the respective partnership interests in Silverlight pledged by each limited partner. *See* section 8.12 of the Credit Agreement.

the general partner. Third, we understand that under California law, 5161, as the general partner of Silverlight had liability for the Loan. Fourth, under the Partnership Agreement, none of HS, CS or Cassano had a deficit restoration obligation upon the liquidation of Silverlight. Section 6.2 of the Fourth Amended and Restated Limited Partnership Agreement specifically provides that "[n]o Limited Partner shall be required to make any additional capital contributions to the Partnership, or to make up any deficit in that Limited Partner's Capital Account...." Thus, under the Partnership Agreement, none of HS, CS or Cassano had any payment obligation with respect to Silverlight. In fact, section 6.2 of the Partnership Agreement goes on to provide that "[i]f any law requires a Limited Partner to contribute to the Partnership or otherwise pay any creditor of the Partnership, the General Partner shall indemnify, reimburse to and hold harmless that Limited Partner from the obligation to contribute or pay any such amounts."

Consequently, for the reasons discussed above, 5161, as the general partner of Silverlight and pursuant to the Partnership Agreement, Indemnity Agreements and state law, bore the entire economic risk of loss of the Loan. None of HS, CS or Cassano bore any economic risk of loss with respect to the Loan and, thus, no share of the Loan should be allocable to HS, CS or Cassano at the time the Loan was incurred. Accordingly, the bases of HS, CS and Cassano in their partnership interests in Silverlight should not include any basis increase as a result of the Loan.

2. **There was no assumption of the Loan under Treas. Reg. sections 1.752-1(d) or 1.752-1(e) as a result of the TAC Transfers.**

Treas. Reg. section 1.752-1(d) provides that except as otherwise provided in Treas. Reg. section 1.752-1(e) (relating to contributions and distributions of encumbered property, discussed below), a person is considered to assume a liability only to the extent that (1) the assuming person is personally obligated to pay the liability and (2) if a partner (or related person) assumes a partnership liability, the person to whom the liability is owed knows of the assumption and must be able to directly enforce the partner's (or related person's) obligation for the liability and, immediately after the assumption, no other partner or person related to another partner bears the economic risk of loss with respect to the liability.

Under Treas. Reg. section 1.752-1(e), if property is distributed by a partnership to a partner and the property is subject to a liability of the partnership, the distributee partner is treated as having assumed the liability to the extent that the amount of the liability does not exceed the fair market value of the property at the time of the distribution.

Pursuant to the Redemption Agreements, HS, CS and Cassano were released from all liabilities in connection with their partnership interests in Silverlight. Section 1.2 of each of the Redemption Agreements specifically provides that HS, CS and Cassano are "fully released, relieved and discharged from any and all obligations, duties and liabilities ... of any kind, whether now existing or hereafter arising, known or unknown, contingent or fixed, under the Partnership Agreement or arising from [the] Interest in the Partnership." Furthermore,

section 2.4 of each Redemption Agreement confirms that no partnership liabilities are allocable to any of HS, CS or Cassano under section 752 and the Regulations thereunder. Moreover, it is our understanding that none of HS, CS or Cassano became personally obligated to pay the Loan, and that, furthermore, the TAC Stock and Debenture were not subject to the Loan. In fact, the Credit Agreement specifically recognized and permitted the distribution of the TAC Stock to HS and CS and the distribution of the Debenture to Cassano in redemption of their partnership interests in Silverlight. *See* sections 5.5 and 6.3 of the Credit Agreement. Accordingly, there was no assumption by HS, CS or Cassano of the Loan under Treas. Reg. sections 1.752-1(d) or (e) as a result of the TAC Transfers.

B. FOR PURPOSES OF DETERMINING THE AMOUNT OF SILVERLIGHT'S BASIS ADJUSTMENT UNDER SECTION 734(b)(1)(B), ASSUMING THE EQUALIZATION PAYMENTS ARE TREATED AS PAYMENT FOR THE PURCHASE OF A PORTION OF THE TAC STOCK, SUCH AMOUNTS ARE NOT INCLUDED IN THE BASES OF HS' AND CS' PARTNERSHIP INTERESTS IN SILVERLIGHT IN DETERMINING THE BASIS UNDER SECTION 732(b) OF THE TAC STOCK.

Assuming the Equalization Payments are treated as consideration for a sale of a portion of the TAC Stock, such amounts should not be treated as a contribution to Silverlight to which section 721 applies and should therefore not be included in the bases of HS' and CS' partnership interests in Silverlight. Rather, the Equalization Payments should be treated as payment for the sale of property between Silverlight and HS and CS, both of whom acted, with respect to the Equalization Payments, in a capacity other than as partners of a partnership. This is consistent with section 707(a) which treats transactions between a partnership and a partner who is not acting in his capacity as a member of the partnership as "occurring between the partnership and one who is not a partner." Under section 707(a)(2)(B), if there is a transfer of money or other property by a partner to a partnership and there is a related distribution of money or other property to that partner, and if the two transfers when viewed together are properly characterized as a sale or exchange of property, then the transfers are to be treated as a sale between the partnership and an outsider. *See also* Treas. Reg. sections 1.707-6(a), 1.707-6(d) Example 1 (describing the rules in determining whether a transfer of property from a partnership to a partner and the transfer of money from that partner to the partnership are treated as a sale of property to that partner). Thus, if the Equalization Payments are treated as payment by HS and CS, acting in nonpartner capacities, for the purchase of a portion of the TAC Stock, such amounts should not be included in the bases of their partnership interests in Silverlight.

C. ALLOCATION OF BASIS ADJUSTMENT UNDER 734(b)(1)(B) TO UNDISTRIBUTED PARTNERSHIP PROPERTIES UNDER SECTION 755 AND TREAS. REG. SECTION 1.755-1(c).

The section 734(b) adjustment is allocated under the rules set forth in section 755. Section 734(c); Treas. Reg. section 1.734-1(c). In general, section 755 provides that an increase

in the adjusted basis of partnership property resulting from an optional adjustment to the basis of undistributed partnership property under section 734(b) is to be allocated "in a manner which has the effect of reducing the difference between the fair market value and the adjusted basis of partnership properties" or "in any other manner permitted by regulations prescribed by the Secretary." Section 755(a). In allocating section 734(b) basis adjustments to specific partnership assets, the assets are first divided into two classes: "capital gain assets" (capital assets and section 1231(b) property), and "ordinary income assets" (all other partnership assets). *See* Treas. Reg. section 1.755-1(a). A determination is then made as to the class of assets to which the section 734(b) adjustment is allocated.

According to Treas. Reg. section 1.755-1(c)(1)(i), where there is a distribution of property to a partner and in connection therewith the partnership adjusts the basis of its undistributed partnership assets, "the adjustment must be allocated to remaining partnership property of a character similar to that of the distributed property with respect to which the adjustment arose." Thus, if the basis of distributed capital gain property to the partnership exceeds the basis of that property to the distributee partner, the excess increases the basis of the retained capital gain property.

The section 734(b) adjustment is then allocated to specific assets in the appropriate class. Under Treas. Reg. section 1.755-1(c)(2)(i), any basis increase is allocated first to properties with unrealized appreciation in proportion to their respective amounts of unrealized appreciation, until the basis of each such property is equal to its fair market value. Any remaining increase is allocated among the properties within the class in proportion to their fair market value. Treas. Reg. section 1.755-1(c)(2)(i).

1. Silverlight was the owner of the FFWW stock at the time of the TAC Transfers for purposes of allocating Silverlight's basis increase under section 734(b)(1)(B) to its assets under section 755 and Treas. Reg. section 1.755-1(c).

a. Silverlight is not deemed to have disposed of the FFWW stock at the time of the TAC Transfers by reason of the Fox Option Exercise or the Disney Agreement.

At the time of the TAC Transfers, Silverlight's remaining property was the FFWW stock,[42/] the portfolio of publicly traded securities and the interests in partnerships. Silverlight should not be treated as having disposed of the FFWW stock by reason of the Fox Option Exercise in December 2000/January 2001 or the Disney Agreement executed in July 2001. Rather, the sale of the FFWW stock occurred when the FFWW stock was transferred to Disney at closing on October 24, 2001.

[42/] As discussed above, the Cassano Notes were transferred to 5161 on September 27, 2001.

A transfer of ownership in property occurs for Federal income tax purposes when the benefits and burdens of owning the property shift from the seller to the buyer. *See Dettmers v. Comm'r*, 430 F.2d 1019, 1023 (6th Cir. 1970); *Griffin Paper Corp. v. Comm'r*, 74 T.C.M. (CCH) 559, 563 (1997), *aff'd* 99-1 USTC ¶ 50,539 (11th Cir. 1999). The date when bare legal title passes is not determinative of when property is acquired or sold for Federal tax purposes but is merely a factor in a facts and circumstances analysis. *See Merrill v. Comm'r*, 40 T.C. 66, 72 (1963), *aff'd* 336 F.2d 771 (9th Cir. 1964). The courts have considered the following factors in deciding the time when property is acquired or sold:

1. Whether legal title passes,
2. the manner in which the parties treated the transaction,
3. whether the sale price is fixed,
4. whether a significant amount of the agreed price has been paid,
5. the intention of the parties,
6. the descriptive terms used in the agreement, and
7. whether an effective date has been agreed upon fixing a specific time for recognition of the rights and obligations of the parties. *See Griffin Paper Corp. v. Comm'r*, 74 T.C.M. (CCH) at 563.

In the instant case, it is unlikely that the benefits and burdens shifted at the time of the Fox Option Exercise. First, legal title to the FFWW stock was not transferred to Fox upon the Fox Option Exercise, either in December 2000 or January 2001. Instead, Silverlight retained title and physical control of the FFWW shares until October 24, 2001, when the FFWW stock was actually delivered to Disney at closing. In fact, the Contribution and Allocation Agreement, dated as of July 23, 2001 among Fox, HS, Silverlight, certain of their affiliated entities and certain other entities, provided that HS, Silverlight and its affiliates would deliver their FFWW shares to Disney at closing and "upon such delivery of their Shares to [Disney], [they] shall have fulfilled and satisfied in full their obligation to sell their [FFWW] Shares to Fox under the Call Option." *See* Contribution and Allocation Agreement, section 2(a). Thus, it is only upon the actual delivery of the FFWW shares to Disney on October 24, 2001, that Silverlight fulfilled and satisfied its obligation under the Call Option.

Second, as discussed above, the parties had not reached an agreement regarding the price that would be paid for the FFWW stock under the Fox Option Exercise. With little communication between the parties, there was great uncertainty regarding the purchase price for the FFWW shares and thus no "sales price" could be determined. Moreover, the parties did not fix a specific time for the performance of the obligations under the Fox Option Exercise — the determination of the purchase price was necessary before any performance of obligations could occur.

The situation at hand is similar to *Hammerstrom v. Comm'r*, 60 T.C. 167, 180 (1973), in which the Tax Court determined that the burdens and benefits were not transferred when a husband exercised his option to purchase his ex-wife's one-half interest in business property. In *Hammerstrom*, the parties had entered into an option agreement whereby the husband could elect to purchase the wife's interest for $25,000 over a 10-year period. The husband exercised his option six days after entering into the option agreement. However, for five years thereafter, the parties still had not agreed on substantial details of the sale, including, the Court determined, the precise date for payment of each installment, security to insure the wife's receipt of the entire purchase price and the means for transferring marketable title to the property. During the five-year period, the parties did not enter into a purchase agreement, no installment payments were made, and no instruments of transfer were executed. The husband continued to operate the business as usual. The Tax Court held that the parties' conduct reflected that a change of ownership had not occurred upon the exercise of the option. As the Tax Court explained:

> The execution and delivery of the letter of October 18, electing to purchase [the wife's] interest, was not self-contained, that is, was not immediately operative to divest [the wife] of ownership. The letter itself and the subsequent conduct of the parties demonstrate quite clearly that both parties understood that more was required, that the letter was a demand on [the wife] to negotiate and sign an agreement (as she eventually did in 1972), and that until then there was at most an "agreement to agree."

Id. at 182. Similarly, the Fox Option Exercise was not "self-contained" and was not immediately operative to divest Silverlight of its ownership of the FFWW stock. Moreover, here, the parties did not agree on a purchase price for the FFWW stock. Thus, the option agreement in *Hammerstrom* is arguably more specific than the agreements underlying the Fox Option Exercise. ~~Like the parties in~~ *Hammerstrom*, Silverlight and Fox did not take any real action following the Fox Option Exercise to close the purchase and sale of the FFWW stock.

Similarly, in *Johnson v. Comm'r*, 7 B.T.A. 820, 833 (1927), a seller gave a buyer an option to purchase a ship. The option was exercised by the buyer while the vessel was at sea. The buyer paid a portion of the purchase price but did not accept the risk of loss or non-delivery of the vessel. Income earned on the active voyage was retained by the seller, thus the seller retained the benefits of ownership of the ship. Delivery of title occurred when the ship was delivered to the buyer. Like the seller in *Johnson*, Silverlight retained the benefits and risks of ownership of the FFWW stock. Also, like the parties in *Johnson*, Silverlight and Fox did not execute a transfer of title upon the Fox Option Exercise. Therefore, it is unlikely that a transfer of ownership occurred upon the Fox Option Exercise.

Furthermore, it is unlikely that a transfer of ownership occurred in July 2001, when the Disney Agreement was executed. In addition to the test set forth above, a transfer of ownership cannot occur where substantial condition precedents exist that must be satisfied before

payment of an obligation is required. *See Dyke v. Comm'r*, 6 T.C. 1134, 1135 (1946). In *Dyke*, one of several conditions precedent before a sale of stock in a barge shipping company was considered completed was a requirement that the Interstate Commerce Commission authorize the purchase. In the instant case, there were significant regulatory approvals, both domestic and foreign, which were required to be obtained and other conditions that had to be satisfied in order to close the sale to Disney. Thus, substantial conditions precedent existed in July 2001, which prevented a transfer of ownership from having occurred. Therefore, it is likely that Silverlight should not be deemed to have disposed of the FFWW stock at the time of the TAC Transfers by virtue of the Fox Option Exercise or the Disney Agreement.

2. The TAC Stock, the Debenture and the FFWW stock constituted "capital gain property" under Treas. Reg. section 1.755-1(a) at the time of the TAC Transfers.

The TAC Stock, the Debenture and the FFWW stock were all capital assets in Silverlight's hands. *See* section 1221. As such, those properties constituted capital gain property under Treas. Reg. section 1.755-1(a). Since the distributed property, *i.e.*, the TAC Stock and Debenture, constituted capital gain property, the section 734(b) adjustment should be allocated to the basis of the FFWW stock and other retained capital gain property of Silverlight in proportion to the difference between the fair market value and basis of each property. *See* Treas. Reg. section 1.755-1(c)(5) Example.

V. THE PARTNERSHIP ANTI-ABUSE RULES SHOULD NOT APPLY TO THE TRANSACTION.

Treas. Reg. section 1.701-2 (the "Anti-Abuse Regulations") consists of two broad rules, the "abuse of subchapter K rule" and the "abuse of entity rule." Generally, under the "abuse of subchapter K rule," the Service may (1) disregard the partnership in whole or in part, and the partnership's assets and activities should be considered, in whole or in part, to be owned and conducted, respectively by one or more of its purported partners; (2) treat one or more of the purported partners as not being partners; (3) adjust the method of accounting used by the partnership or a partner to clearly reflect the partnership's or the partner's income; (4) reallocate the partnership's income, gain, loss, credit, or deduction; or (5) otherwise adjust or modify the claimed tax treatment. *See* Treas. Reg. section 1.701-2(b). Under the "abuse of entity rule," the Service may treat a partnership as an aggregate of its partners to carry out the purpose of the Code or Treasury Regulations. *See* Treas. Reg. section 1.701-2(e).

A. ABUSE OF SUBCHAPTER K RULE.

According to Treas. Reg. section 1.701-2(b), a transaction must contain two elements in order for the Commissioner to have the discretion to recast a transaction for Federal income tax purposes as inconsistent with the intent of subchapter K. First, a principal purpose of the transaction must be to reduce substantially the present value of the partners' aggregate Federal tax liability. Second, the tax reduction obtained as a result of the transaction must be inconsistent with the intent of subchapter K.

1. Intent of Subchapter K.

The Anti-Abuse Regulations provide that the intent of subchapter K is to permit taxpayers to jointly conduct business and investment activities through a flexible economic arrangement without incurring an entity-level tax. Treas. Reg. section 1.701-2(a) then provides that the following requirements are *implicit* in the intent of subchapter K:

> (1) The partnership must be bona fide and each partnership transaction or series of related transactions . . . must be entered into for a substantial business purpose.[43]
>
> (2) The form of each partnership transaction must be respected under substance over form principles.
>
> (3) [T]he tax consequences under subchapter K to each partner of partnership operations and of transactions between the partner and the partnership must accurately reflect the partners' economic agreement and clearly reflect the partners' income (collectively, *proper reflection of income*).

Treas. Reg. section 1.701-2(a) (emphasis in original). With respect to the proper reflection of income requirement, requirement 3 above goes on to provide:

> [C]ertain provisions of subchapter K and the regulations thereunder were adopted to promote administrative convenience and other policy objectives, with the recognition that the application of those provisions to a transaction could, in some circumstances, produce tax results that do not properly reflect income. Thus, the proper reflection of income requirement . . . is treated as satisfied with respect to a transaction [which satisfies the other implicit requirements] to the extent that the application of such a provision to the transaction and the ultimate tax results, taking into account all the relevant facts and circumstances, are clearly contemplated by that provision.

Treas. Reg. section 1.701-2(a)(3).

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[43] *See* Statement of John Rooney, Attorney-Advisor in Treasury's Office of Tax Legislative Counsel to the ABA Tax Section Formation of Tax Policy Committee on January 29, 1995, *reprinted in* Lee A. Sheppard, *Final Partnership Anti-Abuse Rule — Grudging Acceptance*, Tax Notes Today, Feb. 10, 1995 (arguing that "[s]ubstantial business purpose and principal purpose of tax avoidance cannot co-exist.").

The first implicit intent of subchapter K, that a partnership be *bona fide* and that transactions be entered into for a *business purpose*, restates well established principles. *See, e.g., Comm'r v. Culbertson*, 337 U.S. 733, 742 (1949); *Gregory v. Helvering*, 293 U.S. 465 (1935); *Rice's Toyota World, Inc. v. Comm'r*, 752 F.2d 89 (4th Cir. 1985). However, the Anti-Abuse Regulations do not elaborate on what is meant by these terms, and also include the term "substantial" in the business purpose requirement. *See* Treas. Reg. section 1.701-2(a)(1). *Culbertson* held that a partnership would be respected for tax purposes if the parties had joined together to jointly conduct a business and share the profits. As Justice Frankfurter expressed in his concurring opinion:

> In plain English, if an arrangement among men is not an arrangement which puts them all in the same business boat, then they cannot get into the same boat merely to seek the benefits of [the partnership tax provisions]. But if they are in the same business boat, although they may have varying rewards and varied responsibilities, they do not cease to be in it when the tax collector appears.

337 U.S. at 754.

Whether the abuse of subchapter K rule is applicable is based on *all* of the facts and circumstances, including a comparison of the business purpose for the transaction and the tax benefit. Treas. Reg. section 1.701-2(c) contains a non-exclusive list of factors that indicate, but do not establish per se, that a partnership was formed or availed of with a principal purpose of tax reduction in a manner inconsistent with the intent of subchapter K. The factors include:

1. The present value of the partners' aggregate Federal tax liability is substantially less than had the partners owned the partnership's assets and conducted the partnership's business directly.

2. The present value of the partners' aggregate Federal tax liability is substantially less than if purportedly separate transactions that are designed to achieve a particular end result are treated as steps in a single transaction.

3. One or more partners who are necessary to achieve the claimed tax results either have a nominal interest in the partnership, are substantially protected from any risk of loss from the partnership's activities, or have little or no participation in the profits from the partnership's activities other than a preferred return in the nature of a payment for the use of capital.

4. Substantially all of the partners are related.

5. Partnership items are allocated in accordance with the literal language of Treas. Reg. section 1.704-1 and section 1.704-2 but the results are inconsistent with the purpose of section 704(b).

6. The benefits and burdens of ownership of property nominally contributed to the partnership are in substantial part retained by the contributing partner.

7. The benefits and burdens of ownership of partnership property are in substantial part shifted to the distributee partner before or after the property is actually distributed to the distributee partner.

See Treas. Reg. section 1.701-2(c).

The presence or absence of any one of the seven factors does not, according to Treas. Reg. section 1.701-2(c), create a presumption that a partnership was or was not used in a manner inconsistent with subchapter K. Comparing these factors to Silverlight and the Transaction we find that as for the first factor, there is no assurance that the present value of the partners' aggregate Federal tax liability would necessarily be substantially less than had the partners owned the Silverlight assets and conducted Silverlight's business directly. Silverlight is an investment partnership which incurs gains and losses on its investment assets which it has heretofore flowed through to its partners. Had the partners of Silverlight invested directly in TAC such investment would by no means necessarily have resulted in a lower aggregate Federal income tax liability.[44/]

The second factor appears to be a restatement of the "end-result" formulation of the step transaction doctrine. As discussed above, each element involved with Silverlight's formation of TAC, the purchase of the interest in TTP and the redemption of HS', CS' and Cassano's interests in Silverlight in exchange for Silverlight's TAC Stock and Debenture was undertaken for independent reasons; no step was dependent on another step. Further, HS' and CS' bases in their TAC Stock and Cassano's basis in the Debenture are the same bases that they had previously in their partnership interest — retaining the potential for future gain recognition (and tax liability) when the TAC Stock or Debenture is sold.

While it may be argued that the continuing Silverlight partners may have immediate tax consequences that are more favorable to them by having Silverlight make an

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[44/] If the assets were held directly, the adjustments to the bases of the Silverlight assets (*i.e.*, increases) and to HS' and CS' partnership interest (*i.e.*, decreases) would not have occurred. The U.S. Federal income tax consequences, however, which would result from the absence of such bases adjustments is wholly dependent on several facts including the timing of when the assets of Silverlight and HS and CS would be sold and the prices obtained when sold. Further, one would need to discount the proceeds on some future sale to present value to form an adequate comparison to the proceeds on a sale today and then compare the resulting U.S. Federal income taxes. Such analysis would not be based on anything but assumptions and thus not a valid method for comparing the amount of U.S. Federal income tax liabilities.

election to adjust the basis upward of the undistributed capital gain property in Silverlight, such an adjustment is wholly consistent with the intent of subchapter K. In the Transaction, Silverlight, prior to the TAC Transfers, owns assets (the TAC Stock and Debenture), the bases of which would be lost upon the distribution to HS, CS and Cassano without the adjustment provided for in section 734. This adjustment merely serves to preserve the basis that Silverlight had whilst retaining HS', CS' and Cassano's potential gain from their appreciated interest in Silverlight and the concomitant Federal tax liability inherent in that interest. Consequently, this factor likely would not be present.

The third factor is not present here, as no partner has a nominal interest in Silverlight. Further, no partner is substantially protected from risk of loss from Silverlight's activities.

The fourth factor is present here. Many of the partners are related.

The fifth factor relates to the allocation of partnership income. Each item of Silverlight's income, gain, loss, or deduction is allocated in accordance with the interests in Silverlight, and each partner's capital account is appropriately charged. There is no special allocation of any item of income, gain, loss, credit, or deduction inconsistent with section 704(b).

The sixth factor is also not present here. There is no property that has been "nominally" contributed to Silverlight by any partner. Further, all property contributed to Silverlight is owned by Silverlight, and no partner has in substantial part retained the benefits and burdens of ownership of the contributed property.

Finally, the seventh factor is also not present. The benefits and burdens of ownership of Silverlight property will not be shifted to any distributee partner before or after the property is actually distributed. No ownership benefits or burdens with respect to the TAC Stock or Debenture were shifted to HS, CS and Cassano, respectively, either before or after September 28, 2001, the date on which the TAC Stock and Debenture were distributed to HS, CS and Cassano, respectively. Until that date, Silverlight bore all risk of loss with respect to its interest in TAC. At the time of the TAC Transfers, Silverlight completely relinquished the benefits and burdens of ownership of the TAC Stock and Debenture and HS and CS completely acquired the benefits and burdens of the TAC Stock transferred, and Cassano acquired the benefits and burdens of the Debenture transferred.

Based on the foregoing, the Service likely would be unsuccessful were it to assert that the TAC Transfers and resulting basis adjustment are inconsistent with the intent of subchapter K.

B. ABUSE OF ENTITY RULE.

The other part of the Anti-Abuse Regulations, the abuse of entity rule in Treas. Reg. section 1.701-2(e), provides that the Service may treat a partnership as an aggregate of its partners "as appropriate to carry out the purpose of any provision" of the Code or Regulations.

However, this rule will not apply to the extent that: (a) a provision of the Code or Regulations prescribes the treatment of a partnership as an entity, and (b) entity treatment and the ultimate tax results, taking into account all the relevant facts and circumstances, are clearly contemplated by that provision. *See* Treas. Reg. section 1.702-2(e)(2). Thus, under Treas. Reg. section 1.701-2(e)(2), a partnership may not be so disregarded when a provision of the Code prescribes entity treatment for such a partnership and that treatment and the ultimate tax results, taking into account all relevant facts and circumstances, are clearly contemplated by that provision.

Although there is no authority on point, as discussed above, the partnership provisions themselves (including the intent of subchapter K anti-abuse rules of Treas. Reg. section 1.701-2(a)) contemplate the use of a partnership as a vehicle to permit taxpayers to conduct joint activities. Section 722 by its terms contemplates that a partner's tax basis in the partner's partnership interest is determined with reference to the tax basis of property contributed by the partner; and the partnership provisions contemplate that there can be disparities between a partner's tax basis in its partnership interest and the partnership's tax basis in its assets (*see, e.g.*, section 754). In addition, both the Code and Regulations provide that when a partnership makes a distribution to a partner in exchange for that partner's interest (1) the partner will only have gain if and to the extent the partnership distributes money, and (2) the partner will obtain a substituted basis in the distributed property substituting the basis the partner had formerly in its partnership interest for the basis of the distributed property regardless of the partnership's basis in, or fair market value of, the distributed property. The Code specifically addresses this potential disparity by authorizing basis adjustments (both increases and decreases) pursuant to section 734 if the partnership so elected to make the adjustments. Furthermore, the examples contained in Treas. Reg. section 1.701-2(f) relate to the use of a partnership to gain advantage of its entity status outside of subchapter K. Consequently, the Service likely would not be successful were it to attempt to disregard Silverlight as an entity under Treas. Reg. section 1.701-2(e).

VI. THE TRANSACTION SHOULD NOT BE DISREGARDED.

The Service may argue that Silverlight's ownership of TAC should be disregarded because: (1) the period of ownership is too brief a time to be treated as real ownership, or (2) it is merely a "step" to be integrated with the other "steps" under the step transaction doctrine. If the Service were successful, and we do not believe it would be, HS, CS and Cassano would be treated as owning the TAC Stock and Debenture, respectively, from the beginning, and Silverlight's adjustment to its undistributed partnership capital assets would be disregarded.

A. BRIEF OWNERSHIP.

Ordinarily, a taxpayer owns an asset for tax purposes if it has the "benefits and burdens of ownership" of that asset. Rev. Rul. 82-144, 1982-2 C.B. 34 provides:

> Although no absolute rule can be established to determine which party to a transaction will be considered the owner of the property involved in all situations because of the factual nature of the issue,

> as a general rule the party to the transaction that bears the economic burdens and benefits of ownership will be considered the owner of the property for Federal income tax purposes. In making the determination of which party bears the economic burdens and benefits of ownership, two significant factors of ownership are: (1) which party to the transaction has the right to dispose of the property; and (2) which party bears the risk of profit or loss with respect to the property. (Citation omitted.)

Thus, in the Ruling, the taxpayer was held to own a tax-exempt bond even though he had simultaneously acquired a right to put the bond to the seller. During the time Silverlight owned the TAC Stock and Debenture, it had the benefits and burdens of ownership of that stock interest and obligation. HS and CS did not have the benefits and burdens of owning the TAC Stock since they had no right to share in the appreciation or depreciation of TAC. Since TAC's assets, (*i.e.*, the interest in TTP, which in turn held publicly traded securities) were volatile, Silverlight's right to share in appreciation or depreciation, even for a brief period, cannot be said to be illusory. Likewise, Cassano did not have the benefits and burdens of owning the Debenture prior to the TAC Transfers since it had no right to receive any interest payments or to dispose of the property. Silverlight was holding the Debenture for its own benefit and was free to dispose of the obligation at any time, and it, further, bore the risks of nonpayment on the obligation. Therefore, under the standard of Rev. Rul. 82-144, Silverlight, not HS and CS, should likely be treated as owning the common interest in TAC until it was distributed to HS and CS in complete redemption of their Silverlight partnership interests. Similarly, Silverlight, not Cassano, should likely be treated as owning the Debenture until it was distributed to Cassano in complete redemption of its Silverlight partnership interest.

Moreover, the Ruling does not set out a minimum period for which the bondholder would need to own the bond to be considered its owner. In fact, the Ruling deals with short-term bonds (those with maturities of one year or less) and states, as a ground for the holding, that "all of the 'puts' are for periods substantially less than the life of the obligations to which they apply." *See also Intermountain Lumber Co. v. Comm'r*, 65 T.D. 1025, 1031-32 (1976):

> A determination of "ownership," as that term is used in section 368(c) and for purposes of control under section 351, depends upon the obligations and freedom of action of the transferee with respect to the stock when he acquired it from the corporation. Such traditional ownership attributes as legal title, voting rights, and possession of stock certificates are not conclusive. If the transferee, as part of the transaction by which the shares were acquired, has irrevocably foregone or relinquished at that time the legal right to determine whether to keep the shares, ownership in such shares is lacking for purposes of section 351. By contrast, if there are no restrictions upon freedom of action at the time he acquired the shares, it is immaterial how soon

thereafter the transferee elects to dispose of his stock or whether such disposition is in accord with a preconceived plan not amounting to a binding obligation. (Emphasis added.) (Citations omitted.)

B. STEP TRANSACTION DOCTRINE.

In determining whether various "steps" of a transaction should be integrated, the courts have articulated three different formulations of the step transaction doctrine: the "binding commitment" test, the "interdependence" test, and the "end result" test. *See Penrod v. Comm'r*, 88 T.C. 1415, 1429 (1987). Under the "binding commitment" test, a series of transactions are integrated only if there is a binding legal commitment to undertake each of the steps. *See Comm'r v. Gordon*, 391 U.S. 83, 96 (1968). Under the "interdependence" test, a series of transactions are integrated only if the steps are "so interdependent that the legal relations created by one transaction would have been fruitless without a completion of the series." *Manhattan Building Co. v. Comm'r*, 27 T.C. 1032, 1042 (1957), *acq.* 1957-2 C.B. 5. However, the test does not apply where each step has independent economic significance. *See Redding v. Comm'r*, 630 F.2d 1169 (7th Cir. 1980), *cert. denied*, 450 U.S. 913 (1981); Rev. Rul. 79-250, 1979-2 C.B. 256, *modified*, Rev. Rul. 96-29, 1996-1 C.B. 59 (adding that each step must be "undertaken for valid business purposes and not mere avoidance of taxes"). The "end result" formulation integrates a series of transactions into a single transaction "when it appears that they were really component parts of a single transaction intended from the outset to be taken for the purpose of reaching the ultimate result." *King Enterprises, Inc. v. United States*, 418 F.2d 511, 516 (Ct. Cl. 1969) (citation omitted).

Since Silverlight was under no binding commitment to distribute the TAC Stock and Debenture to HS, CS, and Cassano, in exchange for their partnership interests, the "binding commitment" test does not apply by its terms.[45] Since Silverlight's ownership of TAC has independent economic significance — considerable, given the apparent volatility of TAC's assets — the "interdependence" test likely would not apply either.

The "end result" test might appear to apply here in its literal formulation. However, for the following reasons, it likely would not apply. First, at least some courts have indicated, and at least one commentator maintains, that the test, like the "interdependence" test, applies only to "steps" that have no independent economic significance. *See McDonald's of Zion v. Comm'r*, 76 T.C. 972 (1981), *rev'd sub. nom., McDonald's of Illinois, Inc. v. Comm'r*, 688 F.2d 520 (7th Cir. 1982); *True v. United States*, 190 F.3d 1165 (10th Cir. 1999); Bowen, *The End Result Test*, 72 Taxes 722, 723 (1994). *See also Norwest Corp. v. Comm'r*, 108 T.C. 265

[45] The Service might also assert that Silverlight's formation and distribution of TAC should be recast as a distribution of cash to HS and CS followed by HS' and CS' acquisition of TAC. However, since Silverlight was under no binding commitment to distribute TAC, the "binding commitment" test does not apply. Also, the Service agrees that the step transaction doctrine does not permit the mere reordering of existing steps. *See* Rev. Rul. 78-197, 1978-1 C.B. 83.

(1997), in which the Tax Court noted that "a step in a series of transactions or in an overall transaction that has a discrete business purpose and a discrete economic significance, and that appropriately triggers an incident of Federal taxation, is not to be disregarded. Further, the simultaneous nature of a number of steps does not require all but the first and the last (or 'the start and finish') to be ignored for Federal income tax purposes." *Id.* at 302 (quoting *G.M. Trading Corp. v. Comm'r*, 106 T.C. 257, 267 (1996), *supplementing* 103 T.C. 59 (1994), *rev'd on other grounds*, 121 F.3d 977 (5th Cir. 1997)). This potential limitation reflects the reality that the test should not be applied literally because if it were, it would apply to substantially all business transactions that, for purely business reasons, are consummated in segments.

Second, the "end result" test cannot be used to disregard ownership, even "transitory," by a true owner for tax purposes. This principle is confirmed by *Esmark, Inc. v. Comm'r*, 90 T.C. 171 (1988), *aff'd in an unpublished opinion*, 886 F.2d 1318 (7th Cir. 1989), where the court respected arguably transitory stock ownership in the process of rejecting the Service's attempt to apply the end result test. *Esmark* arose under the pre-1986 version of Code section 311, under which a corporation recognized no gain or loss if it distributed stock of a controlled subsidiary in redemption of its own stock. Mobil wished to acquire the stock of Esmark's subsidiary, Vickers. Esmark agreed that if Mobil executed a public tender for Esmark shares, Esmark would exchange Vickers shares for its own shares at a fixed ratio. The tender was successful and the exchange consummated — **a matter of hours later**. The Service, citing a number of cases that applied the "benefits and burdens" test to determine ownership, argued that Mobil's ownership of Esmark's stock was "too transitory to be recognized for tax purposes," and that the transaction should be recharacterized, under the step transaction doctrine, as if Esmark had sold Vickers stock to Mobil for cash and used that cash to redeem its shares. The Tax Court stated:

> In claiming that Mobil was not a stockholder upon purchasing petitioner's shares pursuant to the tender offer, respondent fails to identify anyone other than Mobil as the "true owner" of the shares. Petitioner's tendering public shareholders surrendered all incidents of ownership upon the closing of the tender offer. They sold out. Petitioner's former shareholders could no longer vote their shares, receive dividends, or sell to anyone else. Most importantly, they could no longer resist petitioner's disposal of its energy segment or its redemption of over 50% of its outstanding stock. As respondent acknowledges in his brief, "The Esmark shareholders occupied the role of outsiders to the exchange [of Vickers for Mobil's Esmark shares] without any power to alter or affect the disposition of the Vickers stock." Mobil, not petitioner's former shareholders, thus enjoyed one of the most important attributes of ownership, to wit, the right to receive distributions of corporate assets. Mobil, not petitioner's former shareholders, was the beneficial as well as the legal owner of petitioner's stock.

90 T.C. at 193-94.

Silverlight possessed far greater incidents of tax ownership of its interest in TAC than did Mobil in *Esmark*, because the value of this interest was not fixed. Applying the same rationale as in *Esmark*, Silverlight should be treated as owning the TAC Stock and Debenture. If Silverlight did not own the TAC Stock, the only possible owners would be HS and CS, and HS and CS plainly did not since Silverlight, not HS and CS, was entitled to all the appreciation, and bore all of the risk of depreciation attributable to owning the TAC Stock. Likewise, if Silverlight did not own the Debenture, the only possible owner would be Cassano, and Cassano plainly did not since Silverlight bore all the benefits of holding this obligation and bore the risks of nonpayment on the obligation.

The Service might argue that one of the formulations of the step transaction doctrine should apply because Silverlight is effectively compelled to distribute the TAC Stock to HS and CS and the Debenture to Cassano. Even assuming that an "economic compulsion" doctrine exists, the argument is factually flawed. No economic considerations compelled Silverlight to distribute the TAC Stock and Debenture. To the extent Silverlight was compelled to distribute the TAC Stock to HS and CS and the Debenture to Cassano, this "compulsion" comes into play only in exchange for HS', CS' and Cassano's partnership interests in Silverlight. When Silverlight formed TAC, there was no absolute certainty that TAC would acquire an interest in TTP and furthermore no concrete certainty that HS', CS' and Cassano's Silverlight interest would be redeemed for property, namely, the TAC Stock and Debenture. Moreover, as Bowen states in his article, *The End Result Test*:

> [I]t is submitted that:
>
> (1) In the absence of any binding commitment, the individual steps in a multi-step corporate stock transaction should not be stepped together or collapsed, unless they are mutually interdependent.
>
> (2) Such individual steps should not be regarded as mutually interdependent if they have independent economic significance . . . .
>
> (3) If a party to a particular transactional step has obtained or parted with the traditional benefits and burdens of stock ownership, this should be a sufficient reason for concluding that such step has independent economic significance.
>
> . . . There may be circumstances in which some form of economic compulsion—other than a binding commitment— makes the completion of later steps extremely likely, if not a foregone conclusion. . . .

> The concept of economic compulsion is introduced because it logically extends, and protects the integrity of, the position taken herein, not because there is any (clear) authority supporting it. If the concept is valid, however, it should be narrowly construed, so as to avoid the openendedness characteristic of the end result test . . . . [T]he concept of economic compulsion should not include such things as . . . consistent with *Gregory*, the likely consequences of potentially applicable Federal income tax rules.

72 Taxes at 727. Accordingly, Silverlight's ownership of TAC likely should not be disregarded as "transitory."

VII. OTHER POTENTIAL LIMITATIONS ON THE TRANSACTION.

A. SHAM TRANSACTION DOCTRINE.

The Joint Committee on Taxation, *Background and Present Law Relating to Tax Shelters* (JCX-19-02), March 19, 2002 ("JCT Report"), describes sham transactions as "those in which the economic activity that is purported to give rise to the desired tax benefits does not actually occur." According to the JCT Report, the sham transaction doctrine has two facets, "shams in fact" and "shams in substance," which have been described as follows:

> Courts have recognized two basic types of sham transactions. Shams in fact are transactions that never occur. In such shams, taxpayers claim deductions for transactions that have been created on paper but which never took place. Shams in substance are transactions that actually occurred but which lack the substance their form represents.

United Parcel Service of America, Inc. v. Comm'r, 78 T.C.M. (CCH) 262 at n.29 (1999), *rev'd*, 254 F.3d 1014 (11th Cir. 2001) (citing *Kirchman v. Comm'r*, 862 F.2d 1486, 1492 (11th Cir. 1989), *aff'g Glass v. Comm'r*, 87 T.C. 1087 (1986)). The Transaction likely would not constitute one or more "shams in fact," because every component of the Transaction, with its own set of legal significance, did, in fact, occur as described in the Facts section of this letter.

The JCT Report cites *Yosha v. Comm'r*, 861 F.2d 494 (7th Cir. 1988) as an example of the "sham in substance" aspect of the doctrine. In *Yosha*, the taxpayers entered into a series of transactions on the London Metals Exchange ("LME") that were not "shams in fact" because, as a legal and factual matter, they occurred. However, the taxpayers were fully protected against loss through arrangements by the promoter with the LME brokers, and the transactions were structured so that the taxpayers could not earn a profit from them, *i.e.*, as an economic matter the trades were voided.[46] Thus the taxpayers were in the position of

economically, or "in substance," never having entered into the transactions. A similar analysis is applied in determining whether a taxpayer is the owner of a particular asset for tax purposes. Thus, if the taxpayer has none of the economic risks or benefits of an owner, the taxpayer would ordinarily not be treated as the owner, *i.e.*, the taxpayer's economic ownership is voided and could be viewed as a "sham in substance." With respect to the amount of risk a taxpayer must endure, however, in *IES Industries, Inc. v. United States*, 253 F.3d 350 (8th Cir. 2001),[47] the Eighth Circuit Court of Appeals stated:

> We are not prepared to say that a transaction should be tagged a sham for tax purposes merely because it does not involve excessive risk.

Id. at 355. Further, the court did allow the taxpayer tax benefits which resulted from the transactions at issue, holding that:

> The fact that [the taxpayer] took advantage of duly enacted tax laws in conducting [the transactions] does not convert the transactions into shams for tax purposes.

Id. at 356 (footnote omitted). *See also Compaq Computer Corp. v. Comm'r*, 277 F.3d 778 (5th Cir. 2001), *rev'g* 113 T.C. 214 (1999) (the Fifth Circuit, in an ADR transaction identical to the transaction in *IES Industries*, agreed with the Eighth Circuit that as a matter of law the ADR transaction was not a sham for tax purposes).

In the situation herein, neither Silverlight nor HS, CS or Cassano entered into arrangements that voided the economic effects of the Transaction. Moreover, Silverlight's

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[46] Because the arrangements to protect against loss were made by the promoter, the court did not address the effect of *bona fide* hedging transactions with unrelated parties. Hedges provided by a party involved in the transactions were also viewed as a negative factor in *ACM Partnership v. Comm'r*, 73 T.C.M. (CCH) 2189 (1997), *aff'd in part and rev'd in part*, 157 F.3d 231 (3d Cir. 1998), *cert. denied*, 526 U.S. 1017 (1999).

[47] In *IES Industries*, the taxpayer, an investor owned electric utility company, entered into American Depository Receipt ("ADR")** trading opportunities identified by a securities broker. The taxpayer purchased select ADRs of companies that had announced dividends with a settlement date before the record date for such dividends, causing the taxpayer to be the actual owner of the dividends on the record date. Once the right to the dividends accrued to the taxpayer, the taxpayer immediately sold the ADRs back to the counterparty with a settlement date of the transaction occurring after the record date for the dividends. The cost of the ADRs purchased by the taxpayer (with dividend rights attached) was greater than the price at which the taxpayer resold the ADRs back to the counterparty, resulting in capital losses to the taxpayer. These losses were intended by the taxpayer to be carried back to previous tax years in order to offset capital gains it had incurred from sales of stock and thus to obtain a Federal income tax refund from those years. The taxpayer also claimed foreign tax credits and certain deductions for interest, commissions, and foreign income tax withheld as a result of the transactions.

** An ADR is a publicly traded security or receipt that represents a share of a foreign corporation held in trust by a U.S. bank, and which is fully negotiable in U.S. dollars.

election to increase the basis of its undistributed property after the complete redemption of HS', CS' and Cassano's partnership interest was in conformity with duly enacted tax laws. Consequently, the Transaction likely would not constitute a "sham in substance."

B. ECONOMIC SUBSTANCE AND BUSINESS PURPOSE DOCTRINES.

The JCT Report notes:

> In its common application, the courts use business purpose (in combination with economic substance . . .) as part of a two-prong test for determining whether a transaction should be disregarded for tax purposes: (1) the taxpayer was motivated by no business purpose other than obtaining tax benefits in entering the transaction, and (2) the transaction lacks economic substance.

JCT Report (footnote omitted). This language mirrors that of the Fourth Circuit in *Rice's Toyota World, Inc. v. Comm'r*, 752 F.2d 89 (4th Cir. 1985).[48/] Consequently, to determine whether the Transaction will be respected one needs to test the transaction under each prong. The Transaction will not be respected for Federal income tax purposes only if it fails both prongs, *i.e.*, the Transaction lacks both business purpose and economic substance.

For a transaction to have a business purpose, the taxpayer must have a business or commercial reason to engage in the transaction without regard to tax benefits. *See Friedman v. Comm'r*, 869 F.2d 785, 792 (4th Cir. 1989); *Rice's Toyota World, Inc. v. Comm'r*, *supra*. In addition, a transaction may not be respected for tax purposes unless it has economic substance separate and distinct from the economic benefit derived from tax reduction. *See Gregory v. Helvering*, 293 U.S. 465 (1935). However, a transaction should be respected if it has "economic substance which is compelled or encouraged by business or regulatory realities, is imbued with tax-independent considerations, and is not shaped solely by tax-avoidance features that have meaningless labels attached." *Frank Lyon Co.*, 435 U.S. 561, 583-84 (1978).

In *Winn-Dixie Stores, Inc. v. Comm'r*, 113 T.C. 254 (1999), *aff'd*, 254 F.3d 1313 (11th Cir. 2001), the court disallowed interest deductions on policy loans in a corporate-owned life insurance (COLI) program that insured the lives of approximately 36,000 workers. The program resulted in a pre-tax loss for the taxpayer. The taxpayer argued that the program (i) enabled it to fund costs of one of its benefit programs and (ii) increased the benefits it could offer to its employees. As to (i), the court found no contemporaneous evidence that the taxpayer had purchased the COLI policies to provide such funding; found that the COLI policies were not designed to fund such benefits; found that the taxpayer's CFO never told the entity that was

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[48/] "To treat a transaction as a sham, the court must find that the taxpayer was motivated by no business purposes other than obtaining tax benefits in entering the transaction, and that the transaction has no economic substance because no reasonable possibility of profit exists." 752 F.2d at 91 (citations omitted).

planning the COLI transactions that the purpose was to fund the benefit program; and found that projections showed that the cash flow from the program was needed to pay future interest and premiums as opposed to being available to fund the benefits plan. As to (ii), the court found that the described additional benefits were not related to the COLI program.

However, in *IES*, the Eighth Circuit Court of Appeals found that the ADR trades had both economic substance and business purpose, and noted that the taxpayer "did its homework before engaging in the transactions" by meeting with the securities broker's representatives, consulting with outside accountants and securities counsel, and studying the materials provided. 253 F.3d at 355.

In *Compaq*, the Tax Court had held that Compaq's engagement in the ADR transaction lacked economic substance and a non-tax business purpose, and therefore should be disregarded for Federal income tax purposes. Among the factors the Tax Court took into account was that the officer of Compaq in charge of the investments made no inquiry into the commercial aspects of the transactions. The taxpayer had entered into the ADR transactions in part to offset a large capital gain that it previously recognized. The Fifth Circuit, however, noted that this motive was not relevant in determining whether there was a business purpose for a transaction, stating that "even assuming that Compaq sought primarily to get otherwise unavailable tax benefits in order to offset unrelated tax liabilities and unrelated capital gains, this need not invalidate the transaction." *Id.* at 786. In particular, the court noted:

> [T]he fact that Compaq had a large unrelated capital gain in 1992 does not mean that Compaq had an impermissible motive in seeking to engage in the transaction. The capital gain, of course, made it possible for Compaq to obtain an otherwise unavailable tax benefit from the ADR transaction by offsetting its capital losses from the transaction against the gain .... Put otherwise, the availability of a capital gain against which to offset the capital losses from the ADR transaction was a necessary precondition to the profitability of the transaction on an after-tax basis. A sensible taxpayer would have engaged in such a transaction only if it has a capital gain against which to offset the capital losses that the taxpayer knew would result from the transaction. All this is unremarkable and is no evidence that Compaq had an impermissible motive.

Id. at 786 n.8.

The common thread in these cases is that to have the requisite business purpose to support the tax benefits, there must be a commercial reason for engaging in the transactions, the transactions must be consistent with such reason, and such reason must be supportable by contemporaneous evidence, including a showing that the transactions were handled in a business-like manner.

In *United Parcel Service of America, Inc. v. Comm'r*, 78 T.C.M. (CCH) 262 (1999), *rev'd*, 254 F.3d 1014 (11th Cir. 2001), the taxpayer engaged in a structure the Tax Court found was an attempt to avoid tax on fees by restructuring them as insurance premiums paid to a captive insurance company. Economically, the taxpayer was in substantially the same position as before the restructuring. The taxpayer argued that (i) it was required to restructure the payments because they would otherwise violate restrictions under state insurance laws; (ii) it intended to create a new reinsurer that could become a full-line insurer; (iii) by removing the fees from its operating ratios it could obtain larger rate increases than had it received the fees directly; and (iv) it had protected its transportation business from the risk of increased liabilities. However, the Tax Court found that the taxpayer offered no credible evidence that the restructuring would, in fact, achieve goals (i), (iii), and (iv). The court also found that goal (ii) could have been accomplished by merely making an investment in such a reinsurer.

The Eleventh Circuit reversed the Tax Court and held that the restructuring had the requisite business purpose and economic substance necessary to be respected for tax purposes. The court reasoned that:

> It may be true that there was little change over time in how the [restructured] program appeared to customers. But the tax court's narrow notion of "business purpose" — which is admittedly implied by the phrase's plain language — stretches the economic-substance doctrine farther than it has been stretched. A "business purpose" does not mean a reason for a transaction that is free of tax considerations. Rather, a transaction has a "business purpose," when we are talking about a going concern like [the taxpayer], as long as it figures in a bona fide, profit-seeking business. This concept of "business purpose" is a necessary corollary to the venerable axiom that tax-planning is permissible. The Code treats lots of categories of economically similar behavior differently. For instance, two ways to infuse capital into a corporation, borrowing and sale of equity, have different tax consequences; interest is usually deductible and distributions to equityholders are not. There may be no tax-independent reason for a taxpayer to choose between these different ways of financing the business, but it does not mean that the taxpayer lacks a "business purpose." To conclude otherwise would prohibit tax-planning.

254 F.3d at 1019 (citation omitted). The Eleventh Circuit, while noting that the restructuring transaction at issue was "sophisticated and complex," nevertheless emphasized that "its sophistication does not change the fact that there was a real business that served the genuine need for customers to enjoy loss coverage and for [the taxpayer] to lower its liability exposure." *Id.* at 1020.

In the instant case, Silverlight's formation of TAC and its acquisition of the TAC Stock and the Debenture were effected for valid non-tax business reasons. The formation of TAC to acquire Barnville's membership interest in TTP addressed HS' concerns over his and CS' potential exposure for TTP's liabilities and for Silverlight's liabilities under the Credit Agreement in the event the TAC Transfers occurred. In addition, the formation of TAC for its acquisition of Barnville's interest in TTP also addressed MK's concerns over Silverlight's potential exposure for TTP's liabilities if it had directly acquired the TTP interest, and for potential exposure for liabilities that could arise out of the acquisition itself of TTP. The acquisition of the Debenture by Silverlight facilitated the complete redemption of Cassano's partnership interest in Silverlight, which in turn supported HS' and CS' estate planning objectives. Silverlight's acquisition of the Debenture also addressed MK's concerns over the extent of the assets that would ultimately be available to satisfy Cassano's right to receive a fixed return on its investment in Silverlight. These reasons should likely satisfy any business purpose and economic substance argument for Silverlight forming TAC and acquiring the Debenture and TAC Stock, and, in turn, TAC purchasing the interest in TTP.

C. SECTION 269 SHOULD NOT APPLY TO DISALLOW THE INCREASE TO THE ADJUSTED BASIS OF SILVERLIGHT'S PROPERTY UNDER SECTION 734(b)(1)(B).

Section 269 applies to limit a taxpayer's deduction, credit, or other allowance that arises from certain transactions the principal purpose for which is the evasion or avoidance of Federal income tax by securing the benefit of a deduction, credit, or other allowance that the taxpayer might not otherwise enjoy.

Section 269(a)(1) applies to transactions in which one or more persons acquire control of a corporation directly or indirectly, principally for the prohibited tax avoidance or evasion purpose. Control for this purpose is the ownership of stock possessing at least 50% of the total combined voting power of all classes of stock entitled to vote or at least 50% of the total value of all shares of the corporation. An acquisition of control includes the incorporation of a new corporation. *See Borge v. Comm'r*, 405 F.2d 673 (2d Cir. 1968).

Under the Regulations, the principal purpose of an acquisition is to evade or avoid Federal income tax if the purpose to evade or avoid Federal income tax exceeds any other purpose in importance. Treas. Reg. section 1.269-3(a). The Regulations explain the circumstances under which a deduction, credit or other allowance becomes unavailable by providing:

> Characteristic of such circumstances are those in which the effect of the deduction, credit, or other allowance would be to distort the liability of the particular taxpayer when the essential nature of the transaction or situation is examined in the light of the basic purpose or plan which the deduction, credit, or other allowance was designed by the Congress to effectuate.

Treas. Reg. section 1.269-2(b).

It is difficult to imagine that the Service would apply section 269 to the formation of TAC by Silverlight in order to disallow the basis adjustment to Silverlight's property under section 734(b)(1)(B), an elective adjustment wholly consistent with subchapter K. The Service would have to argue that the principal purpose for the formation of TAC was to enable Silverlight to evade or avoid Federal income tax by securing the ability to make a section 734(b) basis adjustment to its undistributed property on the distribution of TAC. We understand that Silverlight formed TAC to acquire a 99% interest in TTP and by structuring its acquisition through a C corporation insulated itself from any liability arising from the direct ownership of TTP. Further, a corporation was HS' principal entity of choice for conducting his business ventures. TAC was the appropriate structure to carry out HS' investment strategy, while addressing the concerns of the limited partners of Silverlight. As discussed in the Facts, TAC gave Silverlight added protection and, in addition, served to address the concerns of MK over Silverlight's increased potential liability and exposure if it directly acquired the TTP interest. Thus, it appears unlikely that the principal motive in acquiring TAC was the evasion or avoidance of Federal income tax. Second, the basis adjustment merely serves to preserve the basis that Silverlight had in its distributed property while retaining HS', CS' and Cassano's potential gain from their appreciated interests in Silverlight and the corresponding Federal income tax liability that would result on a future disposition of the TAC Stock and Debenture.

As the Regulations provide, section 269 applies to limit an allowance (or deduction or credit) under circumstances in which the effect of the allowance would distort the liability of the taxpayer when the essence of the transaction or situation is looked at in light of Congress' basic purpose for permitting the allowance. *See* Treas. Reg. section 1.269-2(b). In the context of the rules regarding optional adjustments to the basis of partnership property, the partnership provisions clearly contemplate that there can be disparities between a partner's tax basis in its partnership interest and the partnership's tax basis in its assets. *See* sections 754 and 734(b). The Code specifically addresses this potential disparity by authorizing basis adjustments, both increases and decreases, pursuant to section 734 if the partnership elected under section 754 to make the adjustments. Thus, given the purpose of section 734(b), it is difficult to see how the availability of the basis adjustment under section 734(b)(1)(B) would distort income to the level of income tax evasion or avoidance.

Based on the foregoing, the Service likely would be unsuccessful were it to assert section 269 to disallow the increase to the adjusted basis of Silverlight's property under section 734(b)(1)(B).

VIII. OPINIONS.

Based on the above discussion and analysis, and subject to the qualifications, representations, limitations and assumptions set forth herein, we are of the opinion that under current Federal income tax law, it is more likely than not that:

1. Except to the extent of the Equalization Payments, Silverlight did not recognize any income or gain as a result of the TAC Transfers.

2. For purposes of section 751(b)(1), the TAC Transfers will not be considered a sale or exchange of property between Silverlight and any of its partners.

3. Under section 731(a)(1), no gain was recognized by any partner of Silverlight as a result of the TAC Transfers.

4. The TAC Transfers did not constitute a distribution of money under section 731(c)(1).

5. None of HS, CS or Cassano will be treated as recognizing gain under section 704(c)(1)(B)(i) as a result of the TAC Transfers.

6. None of HS, CS or Cassano will be treated as recognizing gain under section 737(a) as a result of the TAC Transfers.

7. Assuming a valid and timely section 754 election is made with its partnership tax return for the taxable year ended December 31, 2001, Silverlight is required under section 734(b)(1)(B) to increase the adjusted basis of its undistributed properties as a result of the TAC Transfers.

8. Assuming a valid and timely section 754 election is made with its partnership tax return for the taxable year ended December 31, 2001, Silverlight will have in effect a section 754 election that is applicable to the TAC Transfers.

9. The revocation of a prior section 754 election previously in effect does not impair Silverlight's ability to file a new section 754 election for its taxable year beginning September 2, 2001 and ending December 31, 2001.

10. The flush language in section 734(b), denying the application of section 734(b)(1)(B) to a distribution of an interest in a partnership with respect to which a section 754 election is not in effect, does not apply to the TAC Transfers.

11. For purposes of determining the amount of Silverlight's basis adjustment under section 734(b)(1)(B), Silverlight's adjusted basis in the Debenture immediately before the TAC Transfers is increased by its basis adjustment under section 743(b) for the Original Block of Silverlight FFWW Stock with respect to Cassano.

12. Silverlight's revocation of its prior section 754 election did not affect the basis adjustment of the Original Block of Silverlight FFWW Stock then in effect with respect to Cassano.

13. The technical termination of Silverlight on September 1, 2001 under section 708(b)(1)(B) did not affect the basis adjustment of the Original Block of Silverlight FFWW Stock then in effect with respect to Cassano.

14. There is no adjustment to the basis of the TAC Stock and Debenture under section 732(d) prior to the TAC Transfers.

15. For purposes of determining the amount of Silverlight's basis adjustment under section 734(b)(1)(B), the bases of HS, CS and Cassano in their partnership interests in Silverlight do not include any basis increase for any amount treated under section 752(a) as a contribution of money attributable to the Loan.

16. For purposes of determining the amount of Silverlight's basis adjustment under section 734(b)(1)(B), assuming the Equalization Payments are payments for the purchase of a portion of the TAC Stock, such amounts are not included in the bases of HS' and CS' partnership interests in Silverlight in determining the basis under section 732(b) of the TAC Stock.

17. Silverlight was the owner of the FFWW stock at the time of the TAC Transfers for purposes of allocating Silverlight's basis increase under section 734(b)(1)(B) to its undistributed assets under section 755 and Treas. Reg. section 1.755-1(c).

18. Silverlight is not deemed to have disposed of the FFWW stock at the time of the TAC Transfers by reason of the Fox Option Exercise or the Disney Agreement.

19. The TAC Stock, the Debenture and the FFWW stock constituted "capital gain property" under Treas. Reg. section 1.755-1(a) at the time of the TAC Transfers.

20. With respect to rules potentially limiting or disallowing some or all of the Transaction:

    a. The sham transaction doctrine should not apply and, based on the representations of counsel for Silverlight, the Transaction should have the requisite business purpose and economic substance;

    b. The step transaction doctrine should not apply;

c. The Service should be unsuccessful were it to assert that Silverlight should be disregarded as an entity under Treas. Reg. section 1.701-2, or that the Transaction should otherwise be recast under Treas. Reg. section 1.701-2; and

d. Section 269 should not apply to disallow the increase to the adjusted basis of Silverlight's property under section 734(b)(1)(B).

The opinions set forth above are subject to the following qualifications, limitations and exceptions: no opinion is expressed regarding the tax treatment of the described Transaction for the purpose of any foreign, state or local income tax, or any tax other than the United States Federal income tax. Any misstatement of a material fact or omission of any fact that may be material or any change in any of the facts referred to may require a modification of all or part of our opinions.

Our opinions are limited to matters expressly set forth herein, and no opinion may be applied or inferred beyond the matters so stated. The opinions expressed herein are based upon our interpretation of current law. The opinions expressed herein are not binding on the Service or the courts, and there can be no assurance that the Service and the courts will not take a position contrary to the opinions expressed herein. We do not undertake to advise you of any changes in law which may occur after the date hereof. The Code, the Regulations promulgated thereunder, and the administrative position of the Service are subject to change either prospectively or retroactively. Such changes could render certain or all of the opinions expressed herein inapplicable.

Very truly yours,

Bryan Cave LLP

Bryan Cave LLP

Haim Saban Representation Certificate
for Silverlight Enterprises, L.P. Federal Income Tax Opinion

In connection with the opinion to be delivered by Bryan Cave LLP to Silverlight Enterprises, L.P. ("Silverlight"), and recognizing (1) that Bryan Cave LLP will rely upon the following representations in issuing its tax opinion ("Tax Opinion") to Silverlight, and (2) that the tax opinions set forth therein may not be accurate if any of the following representations are not accurate in all material respects, I, Haim Saban, hereby certify that the following representations are true, correct and complete to the best of my knowledge.

Unless otherwise specified, all capitalized terms used herein without definition shall have the meanings assigned to them in the Tax Opinion.

1. I have reviewed the "Facts" section of the Tax Opinion and the "Facts" section accurately and completely describes all of the material transactions and discussions set forth therein.

2. Toward the end of 1999, it had become clear to me that the overall business objectives of FBC and News were inconsistent with the steps that I felt were necessary to achieve the level of growth in FFWW that would justify holding such a large portion of my family net worth in FFWW stock.

3. Although I commenced efforts to negotiate a restructuring of my relationship with FBC to alleviate problems resulting from our differing business objectives, I soon realized that I would also have to focus on ways to monetize at least a portion of the FFWW stock held by the Saban Shareholders in the event that I was unable to achieve a satisfactory resolution with FBC in a reasonable amount of time.

4. I believed that monetization of the FFWW stock would yield two benefits: (i) provide a way to diversify my holdings, and (ii) allow me to capitalize on investment opportunities I believed to have greater return potential than the FFWW stock.

5. Although I believed that the most obvious method of monetizing the FFWW stock was to exercise the Put Option, several reasons militated against this:

Redacted By
Permanent Subcommittee on Investigations

DISCUSSION OF FACTORS MITIGATING AGAINST EXERCISE OF PUT OPTION

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[redacted]

Redacted By
Permanent Subcommittee on Investigations

DISCUSSION OF FACTORS MITIGATING AGAINST EXERCISE OF PUT OPTION

6. I believed that, although the Saban Shareholders theoretically bore no risk of decline in the value of FFWW after the valuation date under the Amended SSA, it would be difficult for a valuation given by an appraiser months or years after that date not to be tainted by a severe falloff in value of FFWW, even if the falloff in fact occurred after the valuation date.

7. Throughout 2000, I continued to discuss various restructuring arrangements with FBC and began investigating other monetization possibilities with various financial consultants and institutions.

8. I found that financial institutions were generally open to monetizing my FFWW stock by making a full-recourse loan to me secured by a pledge of my FFWW stock; however a pledge of the my FFWW stock was prohibited by the No-Lien Clause. In addition, I was seeking to reduce my personal exposure for borrowed money, not increase it. [redacted]

9. I was advised that I might be able to borrow money, [redacted] on a non-recourse or limited-recourse basis by pledging the assets purchased with the borrowed funds.

10. I believed that I had exhausted, without success, every avenue to resolve the situation with FBC as the December 31, 2000, deadline approached for giving notice of exercise of the Put Option.

11. During the 1990s, Silverlight and I were significantly underweighted in our exposure to the publicly traded technology sector, having persistently avoided it as overpriced, overhyped and excessively volatile; however after the decline at the beginning of 2001, I believed that the sector presented genuine short-term buying opportunities.

12. I believed that TAC had a bona fide opportunity to make a significant short-term profit with respect to its ownership of an interest in TTP, even after taking into account all transaction costs and the cost of the Collar.

13. Due to the volatility of the technology stocks, I had no interest in holding a portfolio of such stocks for any length of time; on the contrary, I believed that the current stock market decline coupled with the volatility presented a prudent opportunity to make a short-term profit in this sector.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

14. After the exercise of the Call Option, there was virtually no progress toward a determination of the purchase price for the Saban Shareholders' FFWW stock. I had numerous fundamental disagreements with FBC over the proper interpretation of the definition "Fair Market Value" in the SSA, including the appropriate valuation methodology. Thus, I began to intensify my efforts to find a monetization mechanism for my FFWW stock.

15. I favored the idea of the Collar because it brought the overall risk of owning the Portfolio down while still retaining potential for significant short-term return on the investment in the Portfolio.

16. During the Spring and into the Summer of 2001, MK and I had numerous meetings and conversations about [redacted] Silverlight's possible purchase of the TTP interest.

17. After FBC decided in May 2001 to seek a third party purchaser for FFWW rather than purchase the shares of the Saban Shareholders, I believed that a monetization of the Saban Shareholders' FFWW stock became even more important because it was absolutely certain that no attention or energy on the part of FBC would be given to the Appraisal Mechanism during the period for the solicitation of buyers. If no buyers emerged during this period, the Appraisal Mechanism would be reinstated and FBC would be no closer to effectuating the purchase of the Saban Shareholder's FFWW shares and at least another year would have elapsed.

18. In July 2001, Murdoch and I met with Eisner at an annual industry conference to discuss Disney's possible acquisition of all of FFWW. At the conclusion of the meeting, Eisner acting on behalf of Disney made an offer to purchase all of the outstanding common stock of FFWW and the Fox Notes held by an FBC affiliate for a certain amount of cash.

19. Significant domestic and foreign regulatory approvals were required prior to the consummation of the sale of FFWW stock to Disney the timing of which was beyond my knowledge and control. Thus, my liquidity and ability to diversify my investments continued to be illusory.

20. After the events of September 11, 2001, the consummation of the sale of FFWW to Disney became very uncertain.

21. MK and I continued our discussions in the Summer of 2001 to resolve the various issues [redacted] regarding a purchase by Silverlight of Barnville's interest in TTP. These discussions made it increasingly clear to both of us that it was in all of the parties' best interests for CS' and my interests in Silverlight to be somehow severed from the interests of the other limited partners, with a commensurate division of the partnership assets.

22. [redacted]

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Permanent Subcommittee on Investigations

DISCUSSION OF ISSUES REGARDING ORGANIZATION AND OBLIGATIONS OF SILVERLIGHT PARTNERS

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Permanent Subcommittee on Investigations

23.

DISCUSSION OF ISSUES REGARDING ORGANIZATION AND OBLIGATIONS OF SILVERLIGHT PARTNERS

24. I raised the question with MK, who I understand raised it with Quellos, of whether the interest in TTP would be pledged to HSBC after its distribution to CS and me, and if so, whether the distribution could cause CS and me to be viewed as having personally assumed liability for the Loan.

25. MK and I agreed that Barnville's interest in TTP should be acquired by a new wholly-owned entity of Silverlight to which Silverlight would contribute the proceeds from the Loan, and we both thought that the new entity should not take the form of a limited liability company but instead be formed as a corporation. I was especially adamant in this regard because I was almost entirely unfamiliar with the limited liability company form of entity, having rarely utilized one to carry on any of my own business enterprises.

26. I had almost always operated my businesses in the U.S. through corporations, beginning with Saban Productions, Inc. in 1983, and sole proprietorships. One exception may be Fox Kids Worldwide, LLC, although it was jointly owned with the Fox entities.

27. After CW received confirmation from HSBC that it would agree in principle to make a loan to Silverlight in accordance with the outlines of Quellos' plan, I began work with CW to effectuate the structure to accomplish my goals and objectives.

28. I believed that the value of Silverlight's assets plus the value of 5161's assets were sufficient to satisfy Silverlight's obligations.

29. I had acquired my partnership interest in Silverlight through partnership distributions from Glass Wave, Merlot and Quartz. In August 2000, Merlot and Quartz each transferred all of their assets and liabilities to Silverlight, and as part of the same plan they each liquidated and distributed their interests in Silverlight to their partners (including me); on September 1, 2001, Glass Wave was liquidated and the Silverlight interest it held was distributed to its partners (including me).

30. The transfer of the TAC Stock from Silverlight to me on September 28, 2001, was in complete redemption of my partnership interest in Silverlight.

31. Silverlight did not make any cash payments to me as part of the redemption of my partnership interest in Silverlight. The transfer of the TAC Stock to me was the only distribution made by Silverlight to me in liquidation of my interest in Silverlight.

32. I have never contributed any property to Silverlight.

33. On December 28, 2001, pursuant to the HS Redemption Agreement, I made an Equalization Payment to Silverlight, plus interest, in the total amount of $18,719,279. The Equalization Payment paid by me to Silverlight was for a portion of the TAC stock in excess of the fair market value of my interest in Silverlight that was redeemed.

34. 5161 is my wholly owned S corporation.

35. I am a U.S. citizen and my taxable year is the calendar year.

IN WITNESS WHEREOF, I have signed this Representation Certificate this 11 day of October, 2002.

Witness

Haim Saban

Cheryl Saban Representation Certificate
for Silverlight Enterprises, L.P. Federal Income Tax Opinion

In connection with the opinion to be delivered by Bryan Cave LLP to Silverlight Enterprises, L.P. ("Silverlight"), and recognizing (1) that Bryan Cave LLP will rely upon the following representations in issuing its tax opinion ("Tax Opinion") to Silverlight, (2) that Cheryl Saban has received certain representations from European American Investment Corporate Services Limited ("Euram"), a copy of which is attached hereto as Exhibit A, which she is relying upon in making her representations in number 11 below, and (3) that the tax opinions set forth therein may not be accurate if any of the following representations are not accurate in all material respects, Cheryl Saban hereby certifies that the following representations are true, correct and complete to the best of her knowledge.

Unless otherwise specified, all capitalized terms used herein without definition shall have the meanings assigned to them in the Tax Opinion.

1. On September 24, 2001, I purchased Euram's one percent membership interest in TTP for $7,765,497. The purchase was an arm's length transaction and the entire purchase price was paid in cash.

2. Also on September 24, 2001, I made a cash contribution of $315,236 to TTP to allow TTP to purchase the Collar. This cash contribution was a bona fide contribution to TTP's capital and was in proportion to my interest in TTP.

3. On October 18, 2001, I contributed my one percent membership interest in TTP to the capital of Glen Gale.

4. Glen Gale is my wholly owned Delaware corporation.

5. I had acquired my partnership interest in Silverlight through partnership distributions from Glass Wave and Merlot. In August 2000, Merlot transferred all of its assets and liabilities to Silverlight, and as part of the same plan it liquidated and distributed its interests in Silverlight to its partners (including me).

6. The Redemption Agreement between Silverlight and me regarding the distribution of the TAC Stock to me in liquidation of my interest in Silverlight accurately reflected my understanding of our respective rights and interests, and no other distribution was made to me in liquidation of my interest. The transfer of the TAC stock from Silverlight to me was in complete redemption of my membership interest in Silverlight.

7. Silverlight did not make any cash payments to me as part of the redemption of my partnership interest in Silverlight.

8. On December 28, 2001, pursuant to the Redemption Agreement, I made an Equalization Payment, plus interest, to Silverlight in the total amount of $10,018,195. The Equalization Payment paid by me to Silverlight was for the portion of the TAC stock in excess of the fair market value of my interest in Silverlight that was redeemed.

9. I have never contributed any property to Silverlight.

10. I am a U.S. citizen and my taxable year is the calendar year.

11. Based solely on the representations that I received from Euram (attached as Exhibit A), the following representations are made:

    i. Euram was an initial member of TTP, a Delaware limited liability company.

    ii. During the period that Euram was a member of TTP, TTP did not make an election for U.S. Federal income tax purposes to be treated as a corporation.

    iii. Euram agreed to provide management and consulting services to TTP in exchange for a one percent membership interest in TTP. Euram served as the managing member of TTP until the date of sale to me.

    iv. On September 21, 2001, Euram arranged for the placement by TTP of a long-dated (five-year) covered call on a portfolio (as shown in Schedule A of Exhibit A) subject to the terms of the Subscription Agreement.

    v. Euram contributed its services to form TTP with Barnville Limited as a partnership with the intention of making a profit from the sale of interests in TTP.

    vi. On September 24, 2001, Euram sold its one percent membership interest in TTP to me for $7,765,497. Euram is not related to me.

    vii. During the period that Euram was a member of TTP, TTP did not have a U.S. Internal Revenue Code section 754 election in effect.

    viii. Euram at all times since the formation of TTP had at least a one percent interest in TTP prior to its sale to me.

    ix. No loss was booked on the sale of Euram's interest in TTP to me. Euram was not subject to U.S. tax provisions and did not report on any U.S. tax return for U.S. Federal income tax purposes.

IN WITNESS WHEREOF, I have signed this Representation Certificate this 11 day of October, 2002.

Witness

Cheryl Saban

European American Investment Corporate Services Limited
Representation Certificate

European American Investment Corporate Services Limited ("Euram") hereby certifies to Cheryl Saban ("CS") that the following representations are true, correct and complete to the best of its knowledge.

1. Euram was an initial member of Titanium Trading Partners LLC ("TTP"), a Delaware limited liability company.

2. During the period that Euram was a member of TTP, TTP did not make an election for U.S. Federal income tax purposes to be treated as a corporation.

3. Euram agreed to provide management and consulting services to TTP in exchange for a one percent membership interest in TTP. Euram served as the managing member of TTP until the date of sale to CS.

4. On September 21, 2001, Euram arranged for the placement by TTP of a long-dated (five year) covered call on a portfolio (as shown in Schedule A) subject to the terms of the Subscription Agreement.

5. Euram contributed its services to form TTP with Barnville Limited as a partnership with the intention of making a profit from the sale of interests in TTP.

6. On September 24, 2001, Euram sold its one percent membership interest in TTP to CS for $7,765,497. Euram is not related to CS.

7. During the period that Euram was a member of TTP, TTP did not have a US Internal Revenue Code section 754 election in effect.

8. Euram at all times since the formation of TTP had at least a one percent interest in TTP prior to its sale to CS.

9. No loss was booked on the sale of Euram's interest in TTP to CS. Euram was not subject to U.S. tax provisions and did not report on any U.S. tax return for U.S. Federal income tax purposes.

Euram signed this Representation Certificate this 11th day of October, 2002.

European American Investment Corporate Services Limited
by _____

SCHEDULE A

Ticker	Shares	Acquisition Price Per Share	Acquisition Price	Date Acquired
ADBE	1,728,000	57.84	99,954,000	6/6/2000
ADP	1,733,000	57.69	99,972,438	6/6/2000
AMAT	700,000	89.31	62,518,750	6/6/2000
AOL	1,000,000	82.75	82,750,000	1/3/2000
AOL	1,649,485	60.63	100,000,028	2/28/2000
BGEN	953,516	104.88	99,999,991	2/28/2000
CCU	973,596	87.75	85,433,049	1/3/2000
CSCO	2,000,000	12.55	25,101,200	9/21/2001
DELL	2,238,000	44.69	100,010,625	6/6/2000
EBAY	250,000	72.53	18,132,813	2/28/2000
EBAY	1,393,000	71.81	100,034,813	6/6/2000
EBAY	1,538,462	69.94	107,592,340	12/28/1999
INTC	1,150,000	21.48	24,706,600	9/21/2001
MSFT	745,500	52.14	38,866,717	9/21/2001
NOK	900,000	55.63	50,062,500	6/6/2000
ORCL	900,000	38.53	34,678,125	6/6/2000
PCS	1,756,000	56.94	99,982,250	6/6/2000
Q	2,339,181	42.12	98,526,304	1/3/2000
QCOM	575,000	143.25	82,368,750	2/28/2000
XLNX	1,000,000	70.25	70,250,000	2/28/2000

OK
11/10/02

JMS 11/10/02

Totals:	25,522,740		$1,480,941,293	

SCHEDULE A

Ticker	Shares
ADBE	1,728,000
ADP	1,733,000
AMAT	700,000
AOL	1,000,000
AOL	1,649,485
BGEN	953,516
CCU	973,596
CSCO	2,000,000
DELL	2,238,000
EBAY	250,000
EBAY	1,393,000
EBAY	1,538,462
INTC	1,150,000
MSFT	745,500
NOK	900,000
ORCL	900,000
PCS	1,756,000
Q	2,339,181
QCOM	575,000
XLNX	1,000,000
Totals:	25,522,740

Chuck Wilk Representation Certificate
for Silverlight Enterprises, L.P. Federal Income Tax Opinion

In connection with the opinion to be delivered by Bryan Cave LLP to Silverlight Enterprises, L.P. ("Silverlight"), and recognizing (1) that Bryan Cave LLP will rely upon the following representations in issuing its tax opinion ("Tax Opinion") to Silverlight, and (2) that the tax opinions set forth therein may not be accurate if any of the following representations are not accurate in all material respects, Chuck Wilk, of Quellos Custom Strategies, LLC, hereby certifies that the following representations are true, correct and complete to the best of his knowledge.

Unless otherwise specified, all capitalized terms used herein without definition shall have the meanings assigned to them in the Tax Opinion.

1. I have reviewed the "Facts" section of the Tax Opinion, and the "Facts" section accurately and completely describes all of the material transactions and discussions involved in the Transaction, including but not limited to, the transactions and discussions preceding and including the TAC Transfers.

2. I am not aware of any other transactions or discussions, other than those set forth in the "Facts" section of the Tax Opinion, that are material to the transactions described therein.

IN WITNESS WHEREOF, I have signed this Representation Certificate this 11 day of October, 2002.

Witness

Chuck Wilk
of Quellos Custom Strategies, LLC

Titanium Acquisition Corporation Representation Certificate for Silverlight Enterprises, L.P. Federal Income Tax Opinion

In connection with the opinion to be delivered by Bryan Cave LLP to Silverlight Enterprises, L.P. ("Silverlight"), and recognizing (1) that Bryan Cave LLP will rely upon the following representations in issuing its tax opinion ("Tax Opinion") to Silverlight, (2) that Titanium Acquisition Corporation ("TAC") has received certain representations from Barnville Limited ("Barnville"), a copy of which is attached hereto as Exhibit A, which TAC is relying upon in making its representations in number 12 below, and (3) that the tax opinions set forth therein may not be accurate if any of the following representations are not accurate in all material respects, Haim Saban as President of TAC hereby certifies that the following representations are true, correct and complete to the best of his knowledge.

Unless otherwise specified, all capitalized terms used herein without definition shall have the meanings assigned to them in the Tax Opinion.

1. At its inception, TAC kept its books and records on a fiscal year ending September 30.

2. On or before December 15, 2001, TAC filed Form 7004 to extend the due date of its tax return for its first taxable year ending September 30, 2001, and on June 17, 2002, TAC's tax return for taxable year ending September 30, 2001 was timely filed. An amended return for TAC's first taxable year ending September 30, 2001, to correct an error on Schedule L, "Balance Sheets Per Books," will be filed on or before October 15, 2002.

3. On September 24, 2001, TAC received $800 million from Silverlight in part as a capital contribution to TAC and in part for the acquisition of the Debenture. The $800 million was transferred from Silverlight's HSBC account to TAC's HSBC account. Following the transfer, Silverlight had no further interest in the $800 million and TAC had no arrangement providing for the return of such funds to Silverlight.

4. On September 24, 2001, TAC used a portion of the $800 million to purchase a ninety-nine percent interest in TTP from Barnville for $768,784,235.

5. The purchase by TAC of Barnville's interest in TTP was an arm's length transaction and the entire purchase price was paid in cash.

6. TAC purchased the Barnville interest in TTP with the intent to make an economic profit.

7. There were several reasons for TAC purchasing the ninety-nine percent interest in TTP rather than purchasing the Portfolio directly, including to acquire the Portfolio in a less expensive manner because it was determined that to purchase Barnville's membership interest in TTP was likely to be less expensive than trying to acquire the identical Portfolio in the open market because of (a) the potential detrimental effect that a purchase of a large block of stock might have on the market price of such stocks, and (b) the lower transaction costs involved to purchase Barnville's membership interest in TTP (which already held the Portfolio).

8. TAC intended to hold TTP as an investment vehicle for an indefinite period of time.

9. On September 24, 2001, TAC made a cash contribution of $31,208,373 to TTP to allow TTP to purchase the Collar. This cash contribution was a bona fide contribution to TTP's capital, and TAC's payment was in proportion to its interest in TTP.

10. On October 22, 2001, TAC transferred all of its Class B common shares of FFWW stock to TTP as a capital contribution. This contribution was a bona fide contribution to TTP's capital and in proportion to TAC's interest in TTP.

11. TAC timely elected to be treated as an S corporation for U.S. federal income tax purposes beginning October 1, 2001.

12. Based solely on the representations received from Barnville (attached as Exhibit A), the following representations are made:

(i) Barnville was an initial member of TTP, a Delaware limited liability company.

(ii) During the period that Barnville was a member of TTP, TTP did not make an election for U.S. Federal income tax purposes to be treated as a corporation.

(iii) On September 21, 2001, Barnville made a capital contribution to TTP of a certain portion of its positions in several technology stocks set forth in Schedule A of Exhibit A (the "Portfolio) in exchange for a ninety-nine percent membership interest in TTP.

(iv) Barnville contributed the Portfolio to form TTP as a partnership with the intention of making a profit from the sale of interests in TTP.

(v) On September 24, 2001, Barnville sold its ninety-nine percent membership interest in TTP to TAC for $768,784,235. Barnville is not related to TAC.

(vi) At the time of TAC's purchase of Barnville's interest in TTP, the fair market value of the Portfolio was significantly lower than the acquisition cost of the Portfolio as recorded in Barnville's books and records. Schedule A of Exhibit A sets forth the acquisition cost of the Portfolio as recorded on the books and records of Barnville.

(vii) During the period that Barnville was a member of TTP, TTP did not have a U.S. Internal Revenue Code section 754 election in effect.

(viii) Barnville at all times since the formation of TTP had a ninety-nine percent interest in TTP prior to its sale to TAC.

(ix) Barnville's transfer of the Portfolio to TTP did not result in the receipt by Barnville of money or other consideration (other than its membership interest in TTP) including debt obligations.

(x) Any loss booked on the sale of Barnville's interest in TTP to TAC was not subject to U.S. tax provisions and was not reported on any U.S. tax return for U.S. Federal income tax purposes.

IN WITNESS WHEREOF, I have signed this Representation Certificate this 11th day of October, 2002.

Witness

Titanium Acquisition Corporation
by Haim Saban, President

Barnville Limited
Representation Certificate

Barnville Limited ("Barnville") hereby certifies to Titanium Acquisition Corporation ("TAC") that the following representations are true, correct and complete to the best of its knowledge.

1. Barnville was an initial member of Titanium Trading Partners LLC ("TTP"), a Delaware limited liability company.

2. During the period that Barnville was a member of TTP, TTP did not make an election for U.S. Federal income tax purposes to be treated as a corporation.

3. On September 21, 2001, Barnville made a capital contribution to TTP of a certain portion of its positions in several technology stocks set forth in Schedule A attached hereto (the "Portfolio") in exchange for a ninety-nine percent membership interest in TTP.

4. Barnville contributed the Portfolio to form TTP as a partnership with the intention of making a profit from the sale of interests in TTP.

5. On September 24, 2001, Barnville sold its ninety-nine percent membership interest in TTP to TAC for $768,784,235. Barnville is not related to TAC.

6. At the time of TAC's purchase of Barnville's interest in TTP, the fair market value of the Portfolio was significantly lower than the acquisition cost of the Portfolio as recorded in Barnville's books and records. Schedule A attached hereto sets forth the acquisition cost of the portfolio as recorded on the books and records of Barnville.

7. During the period that Barnville was a member of TTP, TTP did not have a US Internal Revenue Code section 754 election in effect.

8. Barnville at all times since the formation of TTP had a ninety-nine percent interest in TTP prior to its sale to TAC.

9. Barnville's transfer of the Portfolio to TTP did not result in the receipt by Barnville of money or other consideration (other than its membership interest in TTP) including debt obligations.

10. Any loss booked on the sale of Barnville's interest in TTP to TAC was not subject to U.S. tax provisions and was not reported on any U.S. tax return for U.S. Federal income tax purposes.

Barnville signed this Representation Certificate this 11th day of OCTOBER, 2002.

Barnville Limited
by A NICHOLSON
DIRECTOR

SCHEDULE A

Ticker	Shares	Acquisition Price Per Share	Acquisition Price	Date Acquired
ADBE	1,728,000	57.84	99,954,000	6/6/2000
ADP	1,733,000	57.69	99,972,438	6/6/2000
AMAT	700,000	89.31	62,518,750	6/6/2000
AOL	1,000,000	82.75	82,750,000	1/3/2000
AOL	1,649,485	60.63	100,000,028	2/28/2000
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CSCO	2,000,000	12.55	25,101,200	9/21/2001
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EBAY	250,000	72.53	18,132,813	2/28/2000
EBAY	1,393,000	71.81	100,034,813	6/6/2000
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NOK	900,000	55.63	50,062,500	6/6/2000
ORCL	900,000	38.53	34,678,125	6/6/2000
PCS	1,756,000	56.94	99,982,250	6/6/2000
Q	2,339,181	42.12	98,526,304	1/3/2000
QCOM	575,000	143.25	82,368,750	2/28/2000
XLNX	1,000,000	70.25	70,250,000	2/28/2000
Totals:	25,522,740		$1,480,941,293	

Titanium Trading Partners LLC Representation Certificate for Silverlight Enterprises, L.P. Federal Income Tax Opinion

In connection with the opinion to be delivered by Bryan Cave LLP to Silverlight Enterprises, L.P. ("Silverlight"), and recognizing (1) that Bryan Cave LLP will rely upon the following representations in issuing its tax opinion ("Tax Opinion") to Silverlight, and (2) that the tax opinions set forth therein may not be accurate if any of the following representations are not accurate in all material respects, Haim Saban as President of Titanium Acquisition Corporation ("TAC"), the managing member of Titanium Trading Partners LLC ("TTP") hereby certifies that the following representations are true, correct and complete to the best of his knowledge.

Unless otherwise specified, all capitalized terms used herein without definition shall have the meanings assigned to them in the Tax Opinion.

1. On September 24, 2001, TAC purchased Barnville's ninety-nine percent membership interest in TTP for $768,784,235. The purchase was an arm's length transaction and the entire purchase price was paid in cash.

2. On September 24, 2001, CS purchased Euram's one percent membership interest in TTP for $7,765,497. The purchase was an arm's-length transaction and the entire purchase price was paid in cash.

3. On September 24, 2001, TTP received contributions from TAC and CS in the amounts of $31,208,373 and $315,236, respectively. These cash contributions were bona fide contributions to TTP's capital and in proportion to TAC's and CS' interests in TTP, and were used by TTP to purchase the Collar.

4. TTP was technically terminated for Federal income tax purposes on September 24, 2001, when Barnville and Euram sold their TTP membership interests to TAC and CS, respectively, and TTP's partnership taxable year closed on September 24, 2001.

5. On September 25, 2001, TTP was required to change its taxable year to the fiscal year ending September 30, which was the same taxable year as TAC, its majority interest partner.

6. TTP intended to hold the Portfolio and Collar solely for investment purposes with the expectation of making a potential short-term economic profit by taking advantage of the then current volatility of the market.

7. There is not, nor has there ever been, a plan for any member of TTP to hold less than a one percent membership interest.

8. TTP acquired the Collar to hedge its risk of holding the Portfolio (which was a prerequisite of HSBC making the Loan) while retaining some of the upside potential of its investment. TTP was interested in retaining as much profit potential from its equity investments while protecting itself from further erosion of this investment.

9. TTP's net cost of the Collar was $31,523,305.90.

10. TTP's acquisition and sale of the Portfolio and its purchase and unwind of the Collar did not constitute a trade or business.

11. TTP received and applied to its sole and exclusive benefit the proceeds from the sale of the Calls, and was solely liable for any obligations under the Calls upon exercise.

12. TTP engaged Quellos to provide financial services and advice, and TTP requested Quellos to prepare information, including schedules, pertaining to the Portfolio and Collar.

IN WITNESS WHEREOF, I have signed this Representation Certificate this 11 day of October, 2002.

Witness

Titanium Trading Partners LLC
by Haim Saban as President of TAC,
the managing member of TTP

From: Andrew J Robbins
Sent: Wednesday, August 23, 2000 8:06 AM
To: Christopher Hirata
Subject: Domestication

Chris, can you gather a documentation package for Burgundy and Reka for Bryan Cave. We need to get this started ASAP. Thanks.

Call or email me for more details.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Eric M. Schuehle
Sent: Friday, September 22, 2000 11:46 AM
To: 'Lana Phillips'
Cc: Christopher Hirata
Subject: RE: Burgundy/Reka domestication

Lana:

Per your request, here are the names and addresses of the general partner for Burgundy and Reka Limited:

Burgundy Limited: Sidehill, Inc. 630 Fifth Avenue, Suite 1510, New York, New York 10111

Reka Limited: Woodglen I, Inc. 630 Fifth Avenue, Suite 1510, New York, New York 10111

If you have any other questions, please feel free to contact me.

Have a great weekend.

Eric Schuehle
Quadra Custom Strategies, LLC
206.613.6745
erics@[redacted]

-----Original Message-----
From: Lana Phillips [mailto:lmphillips@b[redacted]
Sent: Friday, September 22, 2000 9:25 AM
To: Erics@[redacted]
Subject: Burgundy/Reka domestication

Dear Mr. Schuehle,

I am an attorney at the law offices of Bryan Cave, and am working with Betsy Smith on the domestication of Burgundy and Reka Limited. I am drafting the Limited Partnership certificates for both Burgundy and Reka, and I have a question regarding some information we need to include in the certificates before they can be filed properly.

Specifically, we need to include the names and addresses of each of the general partners, if there are more than one, for each of the partnerships. Do you know who the general partners will be for each? If not, do you know who I can contact to obtain this information?

I appreciate your help in this matter. Please contact me via this email address or by phone at 212-[redacted]

Best regards,

Lana Phillips

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 420

PSI-QUEL 27125

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Brian Hanson

From: Phillips, Lana [lmphillips@[redacted]
Sent: Tuesday, September 04, 2001 6:53 PM
To: Brian Hanson (E-mail); 'arfan.shaikh@[redacted]
Cc: Badami, Heather Rheiner
Subject: Revised Consents

61m304I.DOC

<<61m304I.DOC>>

To all:

Attached are the revised consents regarding Titanium Trading Partners LLC -- these incorporate most of Arfan's suggestions. Two things I did not include are:

(1) These 4 consents were drafted in one document to make them easier for us to keep track of. Unfortunately, when they were drafted they were not done in any particular order, so that when you open the whole document to print, the order of the consents inside seems a bit confusing. Sorry about this. I'd rather not indicate the sequence of these documents in their titles because the creation and ownership of the LLC by Barnville and EAICS must be completely independent from the later transfer to and owership by TAC and Cheryl. Showing a clear sequence seems to betray that independence.

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31
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When these documents are sent to be executed, we will place them in correct order and give explicit instructions as to the order of signing. To make your review easier for now, I have included boxes in the upper right-hand corner stating "DRAFT - Document __." This should also make it more clear for purposes of distributing these consents around for approval. Once we've received final approval, we will take off the "DRAFT" legend and send out final copies for signature. (I will also be sure to take off the document number from these docs.)

1 2 5

Please let me know if this poses a problem for anyone.

(2) Regarding Arfan's comment regarding the "Letter Agreement/Consent Barnvill/EAICS" in his email dated yesterday (Tues.) -- Because our operating agreement now says that EAICS is receiving its membership interest in exchange for investment management services (rather than managing member services), it seems no longer appropriate for this consent to state that EAICS is getting its 1% interest as the managing member and tax matters member. Also, because the Operating Agreement explicitly spells out what the members are getting in exchange for their LLC interests (i.e., Barnville is contributing portfolio, EAICS is contributing investment services), it seems inappropriate to include any of that information in this consent.

Again, please let me know ASAP if anyone disagrees. I know that both Arfan and Brian need to circulate these, so I will IMMEDIATELY incorporate any change you feel necessary. I will also be available to sit in on a call if we need it! Heather might be available, as well?

Arfan, if you anticipate changes, go ahead and email me and I will make the changes as soon as I get to the office.

Thank you,
Lana

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EXHIBIT #66 - FN 421

PSI-QUEL 23126

BRYAN CAVE LLP

ST. LOUIS, MISSOURI
WASHINGTON, D.C.
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~~OVERLAND PARK, KANSAS~~
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KUWAIT CITY, KUWAIT
ABU DHABI, UNITED ARAB EMIRATES
~~DUBAI, UNITED ARAB EMIRATES~~
HONG KONG
SHANGHAI, PEOPLE'S REPUBLIC OF CHINA
IN ASSOCIATION WITH BRYAN CAVE,
A MULTINATIONAL PARTNERSHIP,
LONDON, ENGLAND

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT

MEMORANDUM

June 28, 2002

TO: Chuck Wilk
Matthew Krane

RE: Bryan Cave Due Diligence for Tax Opinions – Initial List of Documents Required

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The following is an initial list by category and/or taxpayer which will be required for due diligence in rendering the Federal income tax opinions to Mr. and Mrs. Saban and Silverlight Enterprises, L.P. Please note that we may require additional documents as we proceed.

I. BACKGROUND DOCUMENTS —

A. **Silverlight:**

1. Partnership Agreement for Silverlight (including all amended and restated agreements).
   a. Limited Partnership Agreement of Silverlight Enterprises, L.P., dated as of December 22, 1992.
   b. Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P., dated as of December 29, 1992.
   c. Second Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P., dated as of February 5, 1993.
   d. Amendment effective as of February 5, 1993 to Second Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P.
   e. Amendment No. 2, dated July 25, 2000, to Second Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P.
   f. Amendment No. 3, dated August 1, 2000, to Second Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P.
   g. Amendment No. 4, dated August 2, 2000, to Second Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P.

h. Third Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P., dated August 3, 2000.

i. Amendment No. 1, dated August 1, 2001, to Third Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P.

j. Amendment No. 2, dated August 31, 2001, to Third Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P.

k. Fourth Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P., dated September 1, 2001.

l. Fifth Amended and Restated Limited Partnership Agreement of Silverlight Enterprises, L.P. dated September 29, 2001.

2. Documentation of section 754 elections for Silverlight (including original election, revocation, and newest election for 2001).

a. 1992 Form 1065, U.S. Partnership Return, for Silverlight Enterprises, L.P.

b. 1999 Form 1065, U.S. Partnership Return, for Silverlight Enterprises, L.P.

c. *2001 Form 1065, U.S. Partnership Return, for Silverlight Enterprises, L.P. – NOT YET FILED*

3. Documentation of HSBC Loan (i.e., Credit Agreement, Note, Pledge and Security Agreements, etc.).

a. Credit Agreement, dated as of September 21, 2001, among Silverlight Enterprises, L.P., certain affiliates thereof, and HSBC Bank USA.

b. Instrument of Joinder executed as of September 24, 2001 by Titanium Trading Partners LLC.

c. Note dated September 21, 2001 from Silverlight Enterprises, L.P. in favor of HSBC Bank USA.

d. ISDA Master Agreement, dated as of September 7, 2001, between HSBC Bank USA and Titanium Trading Partners, LLC.

e. Schedule to the ISDA Master Agreement, dated as of September 7, 2001, between HSBC Bank USA and Titanium Trading Partners, LLC.

f. Contingent Guaranty, dated as of September 21, 2001, by Haim Saban, Cheryl Saban and [redacted] in favor of HSBC Bank USA.

g. Unlimited Guaranty, dated as of September 21, 2001, by 5161 Corporation and Titanium Acquisition Corporation in favor of HSBC Bank USA.

h. Limited Guaranty, dated as of September 21, 2001, by Haim Saban, Cheryl Saban, the [redacted] in favor of HSBC Bank USA.

i. Guaranty dated as of September 24, 2001 by Titanium Trading Partners, LLC in favor of HSBC Bank USA.

j. Pledge and Security Agreement, dated as of September 24, 2001, made by Titanium Trading Partners, LLC favor of HSBC Bank USA.

k. Pledge and Security Agreement, dated as of September 21, 2001, made by 5161 Corporation, Titanium Acquisition Corporation, Haim Saban, Cheryl Saban, the

[redacted] f HSBC Bank USA.

l. Exhibit A to Pledge and Security Agreement, dated as of September 24, 2001, made by Titanium Trading Partners, LLC in favor of HSBC Bank USA.

m. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by Titanium Acquisition Corporation in favor of HSBC Bank USA.

n. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by Silverlight Enterprises, L.P. in favor of HSBC Bank USA.

o. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by [redacted] Corporation in favor of HSBC Bank USA.

p. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by Haim Saban in favor of HSBC Bank USA.

q. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by Cheryl Saban in favor of HSBC Bank USA.

r. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by [redacted] favor of HSBC Bank USA.

s. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by the [redacted] in favor of HSBC Bank USA.

t. Exhibit A to Pledge and Security Agreement, dated as of September 21, 2001, made by Haim Investments, N.V. in favor of HSBC Bank USA.

u. Supplement No. 1, dated as of September 24, 2001, made by Titanium Acquisition Corporation to Pledge and Security Agreement dated as of September 21, 2001.

v. Supplement No. 2, dated as of September 24, 2001, made by Cheryl Saban to Pledge and Security Agreement dated as of September 21, 2001.

w. Assignment of Proceeds, dated September 21, 2001, made by Silverlight Enterprises, L.P., Haim Saban, Cheryl Saban and [redacted] favor of HSBC Bank USA.

x. Federal Reserve Form U-1, dated September 21, 2001, executed by Silverlight Enterprises, L.P. and HSBC Bank USA.

y. Securities Control Agreement, dated as of September 21, 2001, among Haim Investments N.V., HSBC Bank USA, and The Northern Trust Company.

z. Securities Control Agreement, dated as of September 21, 2001, among Silverlight Enterprises, L.P., HSBC Bank USA, and The Northern Trust Company.

aa. Membership Interest Assignment Separate from Certificate endorsed in blank by Titanium Acquisition Corporation.

bb. Membership Interest Assignment Separate from Certificate endorsed in blank by Cheryl Saban.

cc. UCC-1 filed September 24, 2001 with Silverlight Enterprises, L.P., as Debtor, and HSBC Bank USA, as Secured Party.

dd. UCC-1 filed September 24, 2001 with 5161 Corporation, as Debtor, and HSBC Bank USA, as Secured Party.

ee. UCC-1 filed September 26, 2001 with Titanium Acquisition Corporation, as Debtor, and HSBC Bank USA, as Secured Party.

ff. UCC-1 filed October 11, 2001 with Titanium Acquisition Corporation, as Debtor, and HSBC Bank USA, as Secured Party.

gg. UCC-1 filed September 26, 2001 with Titanium Trading Partners, LLC, as Debtor, and HSBC Bank USA, as Secured Party.

hh. UCC-1 filed September 24, 2001 with Haim Saban, as Debtor, and HSBC Bank USA, as Secured Party.

ii. UCC-1 filed September 24, 2001 with Cheryl Saban, as Debtor, and HSBC Bank USA, as Secured Party.

jj. UCC-1 filed September 26, 2001 with Cheryl Saban, as Debtor, and HSBC Bank USA, as Secured Party.

kk. UCC-1 filed September 24, 2001 with [redacted] as Debtor, and HSBC Bank USA, as Secured Party.

ll. UCC-1 filed September 24, 2001 with [redacted], as Debtor, and HSBC Bank USA, as Secured Party.

mm. UCC-1 filed September 24, 2001 with [redacted] as Debtor, and HSBC Bank USA, as Secured Party.

nn. UCC-1 filed September 24, 2001 with [redacted], as Debtor, [redacted] and HSBC Bank USA, as Secured Party.

oo. UCC-1 filed September 24, 2001 [redacted] as Debtor, [redacted], and HSBC Bank USA, as Secured Party.

pp. UCC-1 filed September 24, 2001 with [redacted] as Debtor, and HSBC Bank USA, as Secured Party.

qq. UCC-1 filed September 24, 2001 [redacted] as Debtor, and HSBC Bank USA, as Secured Party.

rr. Letter dated September 21, 2001 from Silverlight Enterprises, L.P. to Mary Agnes Pan, HSBC Bank USA.

ss. Letter dated September 28, 2001 from HSBC Bank USA to Haim Investments N.V. re: Release.

tt. Letter dated September 28, 2001 from HSBC Bank USA to Silverlight Enterprises, L.P. and The Northern Trust Company re: Release.

uu. Supplement No. 3, dated as of September 28, 2001, made by Silverlight Enterprises, L.P. to Pledge and Security Agreement dated as of September 21, 2001.

vv. Securities Control Agreement, dated as of September 28, 2001, among Silverlight Enterprises, L.P., HSBC Bank USA, and The Northern Trust Company.

ww. Note dated October 9, 2001 from Haim Saban in favor of HSBC Bank USA.

xx. Unlimited Guaranty, dated as of October 9, 2001, by Silverlight Enterprises, L.P. in favor of HSBC Bank USA.

yy. Modification No. 1 dated as of October 9, 2001 to Credit Agreement, dated as of September 21, 2001, among Silverlight Enterprises, L.P., certain affiliates thereof, and HSBC Bank USA.

zz. Modification No. 2 dated as of October 9, 2001 to Credit Agreement, dated as of September 21, 2001, among Silverlight Enterprises, L.P., certain affiliates thereof, and HSBC Bank USA.

aaa. Modification No. 3 dated as of October 19, 2001 to Credit Agreement, dated as of September 21, 2001, among Silverlight Enterprises, L.P., certain affiliates thereof, and HSBC Bank USA.

bbb. Supplement No. 4, dated as of October 19, 2001, made by Glen Gale Corporation to Pledge and Security Agreement dated as of September 21, 2001.

4. Contribution Agreement regarding contribution of funds by Silverlight to TAC.

   a. Unanimous Written Consent, dated September 21, 2001, of the Partners of Silverlight Enterprises, L.P.

   b. Unanimous Written Consent, dated September 21, 2001 of the Board of Directors of Titanium Acquisition Corporation.

5. Documentation of the Debenture issued by TAC to Silverlight.

   • Debenture No. 001 of Titanium Acquisition Corporation, dated September 24, 2001, in the name of Silverlight Enterprises, L.P.

6. Documentation of all loans between Silverlight, HS and CS.

   a. Cancelled Revolving Promissory Note, dated December 22, 1992, in the principal amount of $5,000,000, from Silverlight Enterprises, L.P. to Haim Saban.

   b. Cancelled Amendment dated August 1, 1995 to Revolving Promissory Note from Silverlight Enterprises, L.P. to Haim Saban.

   c. Letter dated July 25, 2000 from Haim Saban to Silverlight Enterprises, L.P. re: Revolving Promissory Note.

   d. Check dated July 25, 2000 for $15,645,288.68 from Silverlight Enterprises, L.P. to Haim Saban with reference "Repayment of Revolving Promissory Note."

   e. Revolving Promissory Note, dated March 27, 2001, in the principal amount of $5,000,000, from Haim Saban to Silverlight Enterprises, L.P.

   f. Letter dated September 10, 2001 from Sharon Sellstrom on behalf of Haim Saban to The Northern Trust Company directing transfer of $3,600,000 from [redacted] to Silverlight Enterprises, L.P. as loan repayment.

   g. Check no. 1420 dated September 10, 2001 for $470,740 from Haim Saban to Silverlight Enterprises, L.P. with reference "Repayment of Loan and Interest."

B. [redacted]

1. Partnership Agreement for [redacted]

   • General Partnership Agreement, dated as of December 22, 1992, between the [redacted]

2. Documentation for the [redacted] Notes.

a. Secured Promissory Note, dated December 29, 1992, in the principal amount of $9,800,000, from [redacted] Associates to [redacted], L.P.

b. Assignment and Agreement of Purchase and Sale, dated as of December 29, 1992, between [redacted] Enterprises, L.P. and [redacted] Associates.

c. Security Agreement dated December 29, 1992, between [redacted] Enterprises, L.P. and [redacted] Associates.

d. UCC-1 filed December 30, 1992 with [redacted] Associates as Debtor and [redacted] Enterprises, L.P. as Secured Party.

e. Secured Promissory Note, dated February 5, 1993, in the principal amount of $9,800,000, from [redacted] Associates to [redacted] Enterprises, L.P.

f. Assignment and Agreement of Purchase and Sale, dated as of February 5, 1993, between [redacted] Enterprises, L.P. and [redacted] Associates.

g. Amended and Restated Security Agreement dated February 5, 1993, between [redacted] Enterprises, L.P. and [redacted] Associates.

h. UCC-1 filed February 16, 1993 with [redacted] Associates as Debtor and [redacted] Enterprises, L.P. as Secured Party.

C. TAC:

1. Completed TAC California Qualification.
   - Statement and Designation by Foreign Corporation for Titanium Acquisition Corporation.
2. Completed TAC Organizing Resolutions.
   a. Organization Meeting by Written Consent of Sole Director of Titanium Acquisition Corporation, dated as of August 17, 2001.
3. Completed TAC Form SS-4 Application for EIN.
   - Form SS-4 for TAC, dated September 18, 2001.

D. TTP:

1. Original Operating Agreement for TTP, executed by Barnville and Euram
   - Operating Agreement, dated as of September 21, 2001, of Titanium Trading Partners, LLC.
2. Documentation or substantiation of the adjusted basis of the Contributed Stocks by Barnville (i.e., evidence of stock purchases, etc.).
   a. Securities Lending Agreement, dated December 28, 1999, between Jackstones, Ltd. and Barnville, Ltd.
   b. Purchase Agreement, dated December 28, 1999, between, Barnville Ltd. and Jackstones, Ltd.
   c. Purchase Agreement, dated January 3, 2000, between, Barnville Ltd. and Jackstones, Ltd.
   d. Purchase Agreement, dated January 10, 2000, between, Barnville Ltd. and Jackstones, Ltd.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

QUELLOS
Financial Advisors, LLC

As of March 1, 2001

Personal & Confidential

Matthew G. Krane
Attorney
1451 North Kings Road
Los Angeles, California 90069

RE: HAIM AND CHERYL SABAN, [redacted], SILVERLIGHT ENTERPRISES, L.P.

Dear Mr. Krane:

This Agreement sets forth the terms of your engagement of Quellos Financial Advisors, LLC ("QFA"), in furtherance of your legal representation of Haim and Cheryl Saban, [redacted] and Silverlight Enterprises, L.P., a California Limited Partnership ("*Silverlight*" and together with Mr. and Mrs. Saban and [redacted] the "*Clients*"), to provide advisory and consulting services in connection with a proposed sale or other disposition (a "*Transaction*") of all or a portion of the Clients' stock (the "*Stock*") in Fox Family Worldwide, Inc. ("*FFWW*"), including but not limited to a sale of the Stock to The News Corporation Limited, Fox Broadcasting Company or any of their affiliated companies. Such services shall include advice and recommendations relating to possible structures to implement a Transaction, including the restructuring and/or reorganization and/or complete or partial liquidation of various entities (including Silverlight and FFWW) owned by the Clients, the creation of one or more new entities to facilitate a Transaction, and financial planning relating to a Transaction, including the possible monetization of the Stock or other liquidity enhancement event in advance of a Transaction. Fees for our services (inclusive of expenses discussed below) shall be as set forth on Exhibit "A" hereto (the "*Fees*"). The Fees shall be paid from the proceeds of any Transaction, and the Clients agree that they will execute such letters of instruction or other documents reasonably requested by QFA to effect the payment of the Fees out of the proceeds of a Transaction, including but not limited to payment instructions given to any purchaser of the Stock in a Transaction or to a financial institution designated by QFA. Notwithstanding the foregoing, in the event an affiliate of QFA renders any investment advisory or portfolio management services in connection with a monetization of the Stock or liquidity enhancement event, the Fees set forth on Exhibit A hereto shall not include compensation for such services, and the Clients and such affiliate of QFA shall enter into a separate Investment Management Agreement with

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 438

KS-00001062

respect to those services and shall in good faith agree upon such additional compensation. You and the Clients acknowledge that certain principals of QFA hold ownership interests in Euram International, Inc, which is providing certain services in connection with the Transaction. QFA represents and warrants that such ownership interests constitute in the aggregate less than three percent (3%) of the total ownership interests thereof. You and the Clients understand and consent to this relationship.

You and the Clients understand and agree that QFA will give you and the Clients the benefit of its best judgment and efforts in rendering services hereunder, but that none of QFA, its affiliates nor any of their officers, directors employees, agents or advisors shall be liable for any action taken, omitted or suffered to be taken by it in its reasonable judgement, in good faith and believed to be authorized or within the discretion or rights or powers conferred by this Agreement, or in accordance with (or in the absence of) specific directions or instructions from you or the Clients, provided, however, that such acts or omissions shall not have resulted from such person's willful misconduct, bad faith or gross negligence in its actions under this Agreement or breach of its duties or of its obligations hereunder. Furthermore, the aggregate liability of such person shall in no event exceed the Fees received by QFA hereunder nor include any special, consequential, incidental or exemplary damages or loss (nor any lost profits, savings or business opportunity). These terms will apply regardless of the nature of any claim asserted (including in contract or equity or by statute, and regardless of the standard of care or liability alleged, and whether or not any such person was advised of the possibility of the damage or loss asserted), but shall not apply to the extent finally determined to be contrary to any applicable law. Such terms will continue to apply after any termination of this Agreement and during any dispute between the parties.

You have informed us that, in addition to yourself, the Clients intend to engage the law firm of Bryan Cave LLP (the "*Law Firm*") to give legal advice and render legal services with respect to any proposals or recommendations submitted by QFA as part of QFA's services hereunder. QFA agrees to work closely with you and the Law Firm in carrying out its services hereunder, including consulting with you and the Law Firm on a regular and frequent basis, keeping you and the Law Firm apprised of QFA's progress hereunder, and submitting for your and the Law Firm's review and counsel any proposals QFA recommends should be presented to the Clients. QFA acknowledges that you may engage other accountants and financial advisors to provide services to you in your representation of the Clients in connection with a Transaction and that such services may substantially overlap the services to be performed by QFA hereunder, and QFA agrees to work in consultation with such other advisors but only to the extent specifically directed by you or the Law Firm, and you acknowledge that QFA may engage other advisors in connection with the services performed by it hereunder (all such other advisors, collectively, "*Additional Advisors*"). The Clients shall be responsible for all compensation (including fees and expenses) payable to its Additional Advisors, but only if directly engaged in writing by you on behalf of the Clients, and shall have the sole right to determine the amount of such compensation (which may be a percentage of the proceeds payable to the Clients from a Transaction), and QFA shall be responsible for all compensation (including fees and expenses) payable to its Additional Advisors, but only if directly engaged in writing by QFA, and shall have the sole right to determine the amount of such compensation (which may be a percentage of the Fees

payable to QFA hereunder), and neither the Clients nor QFA shall have any liability for the compensation, fees or expenses of any Additional Advisor engaged by the other; *provided that*, notwithstanding the foregoing, QFA agrees to pay the professional fees and expenses of the Law Firm.

The Clients agree to indemnify QFA, its affiliates and each of their officers, directors employees, agents or advisors (each an "*Indemnitee*") against any and all losses, claims, damages or liabilities, joint or several, including, without limitation, reasonable attorney's fees and disbursements, resulting in any way from the performance or non-performance of any Indemnitee's duties hereunder incurred in defense or disposition of any action, suit or other proceeding, before any court or administrative or investigative body, in which such Indemnitee may be or may have been involved as a party or otherwise or with which Indemnitee may be or may have been threatened while acting in any capacity pursuant to this Agreement, except those resulting from gross negligence, willful misfeasance or violation of applicable law in the performance of such Indemnitee's obligations and duties, and, in the case of criminal proceedings, unless such Indemnitee had reasonable cause to believe its actions unlawful. QFA agrees to indemnify the Clients, their affiliates and each of their officers, directors employees, agents or advisors against any and all losses, claims, damages or liabilities, joint or several, including, without limitation, reasonable attorney's fees and disbursements, resulting in any way from any breach or asserted breach of any of QFA's duties or obligations under this Agreement.

You and the Clients and QFA agree that all information and advice provided by either party to the other shall be treated as confidential and shall not be disclosed to any third party (other than Additional Advisors) except as required by law, pursuant to a regulatory request, or as necessary in connection with the services provided to you or the Clients pursuant to this Agreement, *provided that*, nothing herein shall be construed to impose any purported obligation on you or the Clients to keep confidential any information or advice relating to the tax consequences of any Transaction or any proposal or recommendation made by QFA pursuant to the performance of its services hereunder.

The Clients (if applicable) and QFA each represents and warrants that it is duly organized, validly existing and in good standing under the laws of its State of organization and has full power and authority to execute and deliver this Agreement and carry out its obligations hereunder, the execution and delivery of this Agreement has been duly authorized by all necessary action on its behalf; the execution, delivery, and performance of this Agreement does not violate any agreement or arrangement to which it is a party or by which it is bound, or any order or decree to which it is subject; and this Agreement constitutes the valid and binding agreement of each of the parties hereto.

This Agreement constitutes the entire understanding between the parties and supersedes all prior agreements, communications, representations or understandings between the parties relating to the subject matter hereof. This Agreement may be amended only by written agreement signed by all parties.

This Agreement shall inure to the benefit of and shall be binding upon each of the parties' successors and assigns, including without limitation any transferee to which any of the Stock is transferred prior to a Transaction (whether pursuant to a recommendation of QFA or otherwise), and the Clients agree that they will cause any such transferee of the Stock to acknowledge in writing that it is subject to the terms of this Agreement, including without limitation, liability for the payment of the Fees; *provided however*, that neither this Agreement nor any provision hereof shall in any way be construed as a "Lien" on the Stock, as such term is defined in that certain Strategic Stockholders Agreement dated as of August 1, 1997 by and among the shareholders of FFWW.

This Agreement shall be construed in accordance with the laws of the State of Delaware (without regard to principles of conflicts of law).

To confirm our engagement, please sign and have the Clients sign both copies of this and return a copy to me. Please keep the second copy for your and the Clients' records. If you have any questions about this letter, or our engagement generally, please feel free to contact me at (206) 613-6700.

Sincerely,

Quellos Financial Advisors, LLC

By Jeff Greenstein

Agreed to and accepted:

Matthew G. Krane, attorney

{SIGNATURES CONTINUED ON NEXT PAGE}

EXHIBIT A

The Fees hereunder shall be an amount equal to Three and One Quarter Percent (3.25%) of the aggregate Gross Sales Proceeds, as defined herein, with respect to all Transactions. "*Gross Sales Proceeds*" with respect to any Transaction means the gross amounts to be received by the Clients or on the Clients' behalf in consideration of their Stock pursuant to a binding agreement entered into by Client(s) setting forth the terms of such Transaction, whether such amounts are to be paid in cash or in kind, with out deduction for any costs incurred by the Clients or on their behalf, *provided that*, for the purpose of determining the Fees, in no event shall the aggregate Gross Sales Proceeds with respect to all Transactions exceed $1,490,000,000 (the "*Maximum Proceeds Amount*").

In the event a binding agreement is entered into by the Clients setting forth the terms of a Transaction, and for any reason such Transaction is not consummated pursuant to those terms, the Gross Sales Proceeds with respect to any subsequent Transaction that provides for the sale or disposition of the Stock that was to be sold or disposed of in the prior Transaction shall not be less than the Gross Sales Proceeds determined with respect to such prior Transaction.

All Fees shall be paid in cash no later than the consummation of the Transaction to which the Fees relate.

In the event any binding agreement setting forth the terms of a Transaction provides for the receipt by the Clients of property other than cash in consideration of their Stock, the gross amount to be received by the Clients for such Stock consisting of such property shall, for the purpose of determining the Fees, be the fair market value of such property at the time the Transaction is consummated, unless such Transaction is not consummated or the agreement setting forth the terms of such Transaction is amended or otherwise modified to eliminate all or part of such property as consideration for the Stock, in which case, such gross amount shall be the fair market value of the property at the time the binding agreement was entered into. The parties shall seek in good faith to agree on the fair market value of any property to be taken into account in determining the Gross Sales Proceeds hereunder. In the event the parties are unable to agree on the fair market value of any such property, such fair market value shall be determined by appraisal proceedings, which may be instituted by either the Clients or QFA giving notice to the other of their or its selection of an independent qualified appraiser for such purpose. The Client(s) collectively shall be entitled to one appraiser who shall act on behalf of all Client(s) who determine to institute an appraisal procedure. The party receiving such notice shall within ten (10) days of its receipt notify the other party of its selection of an independent qualified appraiser. The two appraisers so selected shall meet for the purpose of selecting a third independent qualified appraiser (the "*Appraiser*") and shall notify each of the parties of their selection within thirty (30) days after the second appraiser's appointment. Within ten (10) days of receipt of such notice, the Clients and QFA shall each deliver to the Appraiser their and its respective statement of the fair market value of the property in question along with instructions to the Appraiser to decide which statement of fair market value so delivered is closest to the fair market value of the subject property at the time such value is to be determined

for purposes of determining the Gross Gross Proceeds hereunder. In the event the party receiving the initial notice of the selection of an appraiser by the other party does not notify such other party of its selection of an appraiser within the ten-day period provided for such notification, the appraiser set forth in the initial notice shall for all purposes of this Agreement be the Appraiser, and the parties shall deliver to the Appraiser their statements of fair market value and instructions within ten (10) days after the expiration of the first-mentioned ten-day period. The Appraiser shall not disclose to either party the statement of fair market value delivered by the other party until the Appraiser has received both such statements, unless only one party delivers a timely statement of fair market value, in which case the Appraiser shall immediately notify the parties of the amount set forth in such statement and such amount shall conclusively be determined to be the fair market value of the subject property for purposes of determining the Gross Sales Proceeds hereunder. Otherwise, the Appraiser shall notify the parties of his or her decision within 20 (twenty) days after receipt by him or her of both statements, and the fair market value set forth in the statement chosen by the Appraiser shall conclusively be determined to be the fair market value of the subject property for purposes of determining the Gross Sales Proceeds hereunder.

= Redacted by the Permanent Subcommittee on Investigations

QUELLOS
Financial Advisors, LLC

September 21, 2001

Personal & Confidential

Matthew G. Krane
Attorney
1451 North Kings Road
Los Angeles, California 90069

RE: HAIM AND CHERYL SABAN, [redacted] SIL-VERLIGHT ENTERPRISES, L.P.

Dear Mr. Krane:

Reference is made to the agreement (the "*Agreement*") dated as of March 1, 2001 by and among you and the Clients, on the one hand, and QFA, on the other hand, relating to certain services to be rendered by QFA to you in furtherance of your representation of the Clients in connection with the possible sale or other disposition of the Stock. You have informed QFA that the Clients have entered into a binding agreement with The Walt Disney Company ("*Disney*") for the sale to Disney of all of the Stock (the "*Disney Sale*"). This letter confirms the application to the Disney Sale of the terms and provisions of the Agreement as provided herein. Except as otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in the Agreement. All of the terms and provisions of the Agreement remain in full force and effect.

You and the Clients acknowledge and agree that the Disney Sale is a Transaction, as such term is defined in the Agreement, and that the Fees set forth in Exhibit "A" of the Agreement shall be due and payable on the earlier to occur of: (i) the closing of the Disney Sale, in which case the Fees shall be payable from the proceeds of the Disney Sale in accordance with a Letter of Instruction from the Clients to HSBC Bank USA, in the form attached hereto as Attachment A, or (ii) the consummation of any other Transaction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

You, the Clients and QFA agree that the Gross Sales Proceeds with respect to the Disney Sale are in excess of the Maximum Proceeds Amount, and therefore the Fees payable under the Agreement shall be equal to Three and One-Quarter Percent (3.25%) of the Maximum Proceeds Amount, regardless of whether the Disney Sale is consummated.

Sincerely,

Quellos Financial Advisors, LLC

By JEFF GREENSTEIN

Agreed to and accepted:

Matthew G. Krane, attorney

Haim Saban, individually and as Trustee of
The Alpha Family Trust

Cheryl Saban

Silverlight Enterprises, L.P., a California Limited Partnership

By: Glass Wave Enterprises, L.P., its general partner

By: _____
Haim Saban, its general partner

QUELLOS FINANCIAL ADVISORS, LLC
601 UNION STREET
56TH FLOOR
SEATTLE, WASHINGTON 98101

October 24, 2001

Matthew G. Krane
Attorney
1451 North Kings Road
Los Angeles, California 90069

[redacted] = Redacted by the Permanent Subcommittee on Investigations

RE: HAIM AND CHERYL SABAN, [redacted]
SILVERLIGHT ENTERPRISES, L.P.

Dear Mr. Krane:

Reference is made to the letter agreement dated as of March 1, 2001 from Quellos Financial Advisors, LLC ("*QFA*") to you acting on behalf of the clients named therein (the "Clients"), as clarified by letter dated September 21, 2001 (collectively, the "*Engagement Letter*"). You, the Clients and QFA hereby amend the Engagement Letter as follows:

Notwithstanding anything to the contrary in the Engagement Letter or any other agreement or document, the Fees, as defined in the Enagement Letter, shall be equal to the sum of $46,312.,500.

Each of the parties hereto acknowledges that it has received good and valuable consideration for the amendment to the Engagement Letter set forth herein. All of the remaining terms and conditions of the Engagement Letter shall remain in full force and effect. This amendment may be executed in two or more counterparts, each of which shall be deemed an original, and such counterparts so executed shall be deemed to be one and the same instrument.

Yours very truly,

QUELLOS FINANCIAL ADVISORS, LLC

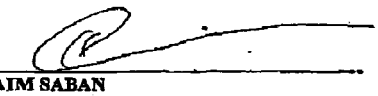
By: Bryan A. White

KS-00001071

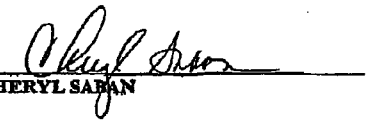
Agreed and Accepted:

MATTHEW G. KRANE, ATTORNEY

HAIM SABAN, AS TRUSTEE OF THE ALPHA FAMILY TRUST U/D/T DATED MAY 5, 1997



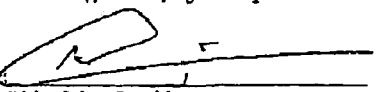
HAIM SABAN



CHERYL SABAN

SILVERLIGHT ENTERPRISES, L.P., A CALIFORNIA LIMITED PARTNERSHIP

By: 5161 Corporation, its general partner



By:
Haim Saban, President

Titanium Trading Partners LLC

Daily Report as of November 13, 2001

Final Consolidated Profitability - 11/13/01[5]

Initial Equity Portfolio Value	$ (768,861,121)	
Current Equity Portfolio Value	898,788,205	
Estimated Gain/(Loss) on Equity Portfolio		$ 129,927,084
Initial Collar Cost	(31,523,306)	
Estimated Current Collar Value	(85,236,317)	
Estimated Gain/(Loss) on Collar		(116,759,623)
Total Investment Gain/(Loss)		13,167,461
Loan Fee [1]		(1,000,000)
Structuring Fee [2]		(7,688,611)
Interest Expense [3]		(2,651,667)
Estimated Total Net Gain/(Loss)		$ 1,827,183
Estimated Total Net Gain/(Loss) as a Percentage of Costs [4]		4.263%
Implied Annualized Return		35.63%

[1] Refers to the $800 million loan extended to Silverlight Enterprises, L.P. by HSBC Bank U.S.A.
[2] Included in the aggregate purchase price paid by Titanium Acquisition Corp. and C. Saban for their respective interests in Titanium Trading Partners LLC.
[3] Loan was paid off as of October 24th, 2001 and interest expense accrued through that date.
[4] Costs include initial collar cost, loan fee, structuring fee, and estimated interest expense.
[5] Based on indicative unwind pricing provided by HSBC Bank U.S.A.

Equity Portfolio Composition

Company	Ticker	Shares	Purchase Price	Purchase Amount	Final Price	Final FMV	Final Gain/(Loss)
Adobe Systems Incorporated	ADBE	1,728,000	25.3018	$ 43,721,510	29.1018	$ 50,287,954	$ 6,566,443
Automatic Data Processing, Inc.	ADP	1,733,000	46.5344	80,644,115	54.5109	$ 94,467,390	13,823,275
Applied Materials, Inc.	AMAT	700,000	29.6057	20,723,990	39.1421	$ 27,399,470	6,675,480
AOL Time Warner Inc.	AOL	2,649,485	32.5715	86,297,701	36.6564	$ 97,120,582	10,822,881
Biogen, Inc.	BGEN	953,516	53.1584	50,687,385	54.7850	$ 52,238,326	1,550,941
Clear Channel Communications, Inc.	CCU	973,596	38.7761	37,752,256	42.9005	$ 41,767,731	4,015,475
Cisco Systems, Inc.	CSCO	2,000,000	12.5506	25,101,200	19.2940	$ 38,588,000	13,486,800
Dell Computer Corporation	DELL	2,238,000	18.6051	41,638,214	25.8064	$ 57,754,779	16,116,565
eBay, Inc.	EBAY	3,181,462	46.6758	148,497,284	57.6830	$ 183,516,353	35,019,068
Intel Corporation	INTC	1,150,000	21.4840	24,706,600	28.5689	$ 32,854,206	8,147,606
Microsoft Corporation	MSFT	745,500	52.1351	38,866,717	66.0669	$ 49,252,837	10,386,120
Nokia Corporation	NOK	900,000	16.8658	15,179,220	22.4935	$ 20,244,173	5,064,953
Oracle Corporation	ORCL	900,000	12.3191	11,087,190	15.2832	$ 13,754,858	2,667,668
Sprint PCS Group	PCS	1,756,000	25.2670	44,368,852	24.4889	$ 43,002,508	(1,366,344)
Qwest Communications International, Inc.	Q	2,339,181	19.9605	46,691,222	11.5568	$ 27,033,388	(19,657,834)
QUALCOMM Incorporated	QCOM	575,000	47.2022	27,141,265	56.1004	$ 32,257,701	5,116,436
Xilinx, Inc.	XLNX	1,000,000	25.7564	25,756,400	37.2480	$ 37,247,950	11,491,550
Total				$ 768,861,121		$ 898,788,205	$ 129,927,084

Basket Gain/(Loss) Since Inception: 16.90%

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Russell Schreiber/HBUS/HSBC
10/25/2001 08:20 AM

To Mary Pan [redacted]
cc
bcc
Subject Saban fee arrangement

I have the fax. i'll send it up when you are in.

Rusty

---------- Forwarded by Russell Schreiber/HBUS/HSBC on 10/25/2001 08:21 AM ----------

Chuck Wilk [redacted] on 24 Oct 2001 21:02

To: Mary Pan, et al
Subject: Saban fee arrangement

****
This message originated from the Internet. Its originator may or may not be who they claim to be and the information contained in the message and any attachments may or may not be accurate.
****

Pursuant to the new fee instructions faxed to Rusty last night the breakdown of the $46,312,500 is QFA= $18,137,361 QFS= $28,175,139.

Thanks in advance for all your cooperation in getting these funds transferred and we apologize for the change in amounts and the late delivery of the revised instructions last night.

Regards,
Chuck

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 443

INVESTMENT ADVISORY AGREEMENT

This Investment Advisory Agreement (the "*Agreement*") is made as of September ___, 2001 between Titanium Trading Partners LLC, a Delaware limited liability company (the "*Client*") and Quellos Custom Strategies, LLC (the "*Investment Adviser*"), a Delaware limited liability company.

In consideration of the mutual promises and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. Actions of Client

Client has taken the following actions:

(a) Transferred and assigned to HSBC Bank USA, as custodian (the "*Custodian*"), the assets, consisting of securities (the "Basket"), derivatives and other assets described in Schedule A attached hereto, as Schedule A may be amended from time to time, and the income or proceeds from the investment of such assets (the "Account");

(b) Authorized and directed Custodian to maintain a separate account for and to segregate the assets of the Account subject to the management of Investment Adviser; and

(c) Authorized and directed Custodian to invest and reinvest the assets of the Account in accordance with instructions received by Custodian from Investment Adviser.

2. Appointment of Investment Adviser. Client hereby appoints Quellos Customer Strategies, LLC as Investment Adviser with respect to the Account. Investment Adviser hereby agrees to provide Client with investment management services with respect to the securities and other assets held from time to time in the Account.

3. Discretionary Authority.

(a) The Investment Adviser shall have full power and discretion to invest and reinvest the assets of the Account, without prior consultation or approval of Client. This authority shall include the power to buy, sell, exchange, convert, and otherwise trade in any and all publicly and privately traded stocks, bonds, options and other derivative instruments, and any other securities as the Investment Adviser may deem advisable and in the best interests of the Client and to execute agreements in the Client's name necessary to effect over-the-counter securities transactions or effect all forms of borrowings and or leverage (such agreements may include, but are not limited to, International Swap Dealers Association (ISDA) Master Agreements,

Bond Market Association (BMA) Master Agreements, and International Securities Lending Agreements).

(b) Client directs that Investment Adviser execute all brokerage transactions relating to the Account through Client's brokerage account with HSBC Bank USA, or an affiliate thereof. Client acknowledges and agrees that such transactions will not be executed on a "best execution" basis and may result in higher execution costs than would otherwise be the case, and that Investment Adviser shall no responsibility for determining "best execution" with respect to such transactions;

(c) Except as otherwise provided in this Agreement, Investment Adviser shall have full discretionary authority (i) to determine which securities are to be bought or sold, (ii) to determine the manner in which securities are to be bought or sold and (iii) to execute for the Account such transactions as Investment Adviser deems necessary or desirable without the necessity of first obtaining the consent of Client or Custodian before such transactions are effected.

(d) Client hereby authorizes Investment Adviser to give written instructions to Custodian at any time and from time to time during the term hereof to deliver securities sold, exchanged or otherwise disposed of from the Account, upon receipt of payment for such securities, and to pay cash for such securities delivered to Custodian upon acquisition for the Account; provided, however, that this authorization shall not be deemed or construed to include authority to deliver or pay securities or cash to Investment Adviser.

(e) Client has authorized and directed Custodian to make payments and deliver securities from the Account to such persons in such manner, and in such amounts, as Investment Adviser shall instruct.

(f) Client agrees to furnish and will require Custodian to furnish such authorizations as brokers or Investment Adviser may from time to time request to implement the provisions of sub-paragraph (a) of this Paragraph 3. The Investment Adviser shall not be responsible for any loss incurred by reason of any act or omission on the part of the Custodian.

(g) Client hereby authorizes Investment Adviser, in Investment Adviser's discretion, to vote, consent, waive, ratify or take other actions with respect to proxies, exchange offers, tender offers, restructurings, amendments to indentures or other agreements, or other proposed transactions relating to the assets of the Account (collectively, to "Vote"); provided however, that, if shares of Fox Family Worldwide, Inc. are included in the Account at any time, Client shall have the exclusive authority to Vote with respect to such shares.

(h) Investment Adviser is authorized to comply with any written or oral instructions from Client or Client's representative.

4. Fees and Expenses. The compensation of the Investment Adviser for its services rendered hereunder shall be calculated and paid in accordance with

Schedule B. All expenses of any sort or kind related to the Account including, but not limited to, any costs of safekeeping, transport, acquisition and disposition, such as brokerage and other execution costs, custody fees and margin costs, shall be paid by the Client. To the extent that such fee is not paid by the Client, it shall be payable from the assets of the Account; provided, however, that Client agrees to require the Custodian to send to Client a statement at least quarterly indicating all amounts disbursed from the Account, including the amount of fees paid directly to Investment Adviser hereunder. Client acknowledges that Client shall verify the accuracy of the fee calculation and is not relying on the Custodian for such confirmation.

5. Certain Conflicts of Interest.

(a) The Investment Adviser and its affiliates may have other investment advisory clients and investment vehicles and will seek to allocate investment opportunities and dispositions fairly over time among all clients or vehicles.

(b) Broker-Dealer or other financial institution counterparties of transactions entered into on behalf of Client by the Investment Adviser may include counterparties for which the Investment Adviser or its affiliates or their partners, members, shareholders or affiliates (i) have ownership or other financial interests; or (ii) have business relationships, including but not limited to lending, depository, risk management, investment advisory, security distribution or banking. These relationships may result in conflicts of interest as between Investment Adviser and Client. In addition, the Investment Adviser or an affiliate of the Investment Adviser may receive compensation from third parties counterparties to securities, derivative or other transactions in connection with introductions of Client to such third parties. Client understands and agrees to these relationships.

6. Account Reports. The Investment Adviser shall prepare a monthly report summarizing the Account activity, and deliver this report to the Client within 10 business days of each month end.

7. Services to Other Clients. The Client understands and agrees that the Investment Adviser and its affiliates perform investment advisory and investment management services for various clients other than the Client. The Client agrees that the Investment Adviser and its respective affiliates may give advice and take action in the performance of its duties with respect to any of its other clients which may differ or be the same as advice given, or the timing or nature of action taken, with respect to the Account. Nothing in this Agreement shall be deemed to impose upon the Investment Adviser any obligation to purchase or sell or to recommend for purchase or sale for the Account any security or other property which the Investment Adviser its principals, affiliates, agents or employees may purchase or sell for its or their own accounts or for the account of any other clients.

8. Liability. Investment Adviser shall not be liable for any action taken, omitted or suffered to be taken by it in its reasonable judgement, in good faith and

believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement, or in accordance with (or in the absence of) specific directions or instructions from the Client or Client's representative; provided, however, that such acts or omissions shall not have resulted from the Investment Adviser's wilful misconduct, bad faith or gross negligence in its actions under this Agreement or breach of its duties or of its obligations hereunder.

Client shall indemnify the Investment Adviser and its members, partners, affiliates, employees, representatives, and agents (each an "*Indemnified Person*") against any and all losses, claims, damages or liabilities, joint or several, including, without limitation, reasonable attorney's fees and disbursements, resulting in any way from the performance or non-performance of the Investment Adviser's duties hereunder incurred in defense or disposition of any action, suit or other proceeding, before any court or administrative or investigative body, in which such Indemnitee may be or may have been involved as a party or otherwise or with which Indemnitee may be or may have been threatened while acting in any capacity pursuant to this Agreement, except those resulting from gross negligence, willful malfeasance or violation of applicable law in the performance of the Investment Adviser's obligations and duties, and, in the case of criminal proceedings, unless such Indemnified Person had reasonable cause to believe its actions unlawful.

Notwithstanding the foregoing, nothing herein shall in any way constitute a waiver or limitation of any rights that Client may have under any federal securities laws.

9. Termination. This Agreement may be terminated by either the Client or the Investment Adviser by giving the other party written notice of at least 30 days, and shall terminate automatically without such notice upon the payment of all Performance Fees (as defined in Schedule B hereto) due to Investment Adviser and liquidation of the assets of the Account.

10. Notices. Any notice, instruction, request, consent, demand or other communication required or contemplated by this Agreement, other than routine transactions, shall be in writing and shall be deemed delivered or received if given, made or communicated by United States registered or certified mail, return receipt requested, addressed as follows:

If to Client: Titanium Trading Partners, LLC
10960 Wilshire Boulevard
Suite #2233
Los Angeles, California 90024
Attention: Sharon Sellstrom

If to Investment Adviser:
Quellos Custom Strategies, LLC
601 Union Street, 56th Floor
Seattle, WA 98101
Attention: Jeffrey I. Greenstein

If to Custodian: HSBC Bank USA
452 Fifth Avenue
New York, New York 10018
Attn: Mary A. Pan, Senior Vice President

provided that each party shall, by written notice, promptly inform the other party of any change of address. Copies of all non-routine correspondence shall also be sent to the General Counsel of Investment Adviser at the above address.

11. Representations by Client and Investment Adviser.

(a) Client and Investment Adviser each represents and warrants that the terms hereof do not violate any obligation by which it is bound, whether arising by contract, operation of law, or otherwise. Client (if applicable) and Investment Adviser each represents and warrants that it is duly organized, validly existing and in good standing under the laws of its State of organization and has full power and authority to execute and deliver this Agreement and carry out its obligations hereunder, the execution and delivery of the Agreement has been duly authorized by all necessary action on its behalf; the execution, delivery, and performance of this Agreement does not violate any agreement or arrangement to which it is a party or by which it is bound, or any order or decree to which it is subject; and this Agreement constitutes the valid and binding agreement.

(b) Client represents and warrants that (i) the assets of the Account do not constitute assets of (x) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("*ERISA*")), whether or not subject to Title I of ERISA, (y) a plan described in Section 4975(e)(1) of the Internal Revenue Code, or an entity whose underlying assets are assets of a plan described in (x) or (y) by reason of such plan's investment in the entity; (ii) Client is not relying on funds managed hereunder to meet Client's liquidity needs, including needs to meet cash obligations and (iii) Client is excluded from the provisions of Section 205(a)(1) of the Advisers Act of 1940, as amended (the "*Advisers Act*") because Client is a "Qualified Purchaser" as defined under the Investment Company Act of 1940, as amended, and the rule promulgated thereunder.

(c) Client represents and warrants that (i) Client is in compliance with, and covenants that Client will in the future comply with (x) all applicable money laundering laws or regulations, and (y) all applicable tax laws and regulations; and (ii) Client is not subject to any sanction imposed by the Office of Foreign Assets Control.

(d) Client agrees to immediately notify the Investment Adviser of any changes that may occur in any of the above representations and warranties.

(e) Client represents and warrants that it has read carefully and understands this Agreement (including all related Schedules) and has consulted its own attorney, accountant or investment advisor with respect to the investments contemplated by this Agreement and the suitability for such investments.

12. Form ADV; Privacy Policy. Client acknowledges receipt of Investment Adviser's Disclosure Statement, as required by Rule 204-3 under the Advisers Act (the "*Disclosure Statement*"). In the event Client received the Disclosure Statement less than 48 hours prior to, but no later than, the date of execution of this Agreement, Client shall have the option to terminate this Agreement without penalty within five business days after the date of execution; provided, however, that any investment action taken by Investment Adviser with respect to the Account prior to the effective date of such termination shall be at Client's risk. Client also acknowledges receipt of Quellos Group's Notice of Privacy Policy.

13. Confidential Relationship. The parties agree that all information and advice provided by either party to the other or the Client shall be treated as confidential and shall not be disclosed to third parties except as required by law or as necessary in connection with regular portfolio transactions for the Account.

14. Amendment and Assignment. This Agreement may not be amended without the prior written consent of the parties, and may not be assigned (as defined in the Advisers Act) without the prior written consent of the other party.

15. Waivers. A waiver by any party of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of such provision or of any other provision hereof. Failure of a party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

16. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Delaware (without regard to principles of conflicts of law) to the extent not preempted by applicable Federal law.

IN WITNESS WHEREOF, Client and Investment Adviser have caused this Agreement to be executed by their proper signatures as of the day and year first written above.

INVESTMENT ADVISER:

Quellos Custom Strategies, LLC

By: _____
Title: CEO

By: _____
Title: _____

CLIENT:

Titanium Trading Partners LLC

By: Titanium Acquisition Corp., its general partner

By: _____
Title: _____

SCHEDULE A

ASSETS OF THE ACCOUNT

Equity Basket

Company	Ticker	Shares	Purchase Price	Purchase Value
Adobe Systems Incorporated	ADBE	1,728,000	$25.3018	$43,721,510
Automatic Data Processing, Inc.	ADP	1,733,000	$46.5344	$80,644,115
Applied Materials, Inc.	AMAT	700,000	$29.6057	$20,723,990
AOL Time Warner Inc.	AOL	2,649,485	$32.5715	$86,297,701
Biogen, Inc.	BGEN	953,516	$53.1584	$50,687,385
Clear Channel Communications, Inc.	CCU	973,596	$38.7761	$37,752,256
Cisco Systems, Inc.	CSCO	2,000,000	$12.5506	$25,101,200
Dell Computer Corporation	DELL	2,238,000	$18.6051	$41,638,214
eBay Inc.	EBAY	3,181,462	$46.6758	$148,497,284
Intel Corporation	INTC	1,150,000	$21.4840	$24,706,600
Microsoft Corporation	MSFT	745,500	$52.1351	$38,866,717
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Oracle Corporation	ORCL	900,000	$12.3191	$11,087,190
Sprint PCS Group	PCS	1,756,000	$25.2670	$44,368,852
Qwest Communications International, Inc.	Q	2,339,181	$19.9605	$46,691,222
QUALCOMM Incorporated	QCOM	575,000	$47.2022	$27,141,265
Xilinx, Inc.	XLNX	1,000,000	$25.7564	$25,756,400
TOTAL				$768,861,121

Collar

Collar Transaction on Equity Basket

Strike Price of Put (100% Floor Price)	$768,861,121
Strike Price of Call (108% Cap Price)	$830,370,011

Other Assets

SCHEDULE B
FEES

Upon the final liquidation of the assets (as defined in the initial Schedule A to this Agreement) of the Account (other than cash or cash equivalents) (the "**Final Liquidation**"), Investment Adviser shall be paid a performance fee (the "**Performance Fee**") equal to seventeen percent (17%) of the excess, if any, of the "Final Liquidation Value," over the "Floor Value" both as defined below, as of the date of the Final Liquidation (the "**Final Liquidation Date**"). In the event assets are withdrawn from the Account prior to the Final Liquidation Date and prior to payment to Investment Adviser of its Performance Fee, the Investment Adviser shall be paid a Performance Fee calculated as provided in the preceding sentence and based upon the Final Liquidation Value as of such withdrawal date, and the Floor Value shall then be increased to equal the Final Liquidation Value used in calculating such interim Performance Fee (an "**Interim Performance Fee Calculation**") less the value of such withdrawn assets.. Any subsequent Performance Fee shall be calculated based on the excess, if any, of the Final Liquidation Value of the Account as of the relevant Performance Fee calculation date over the Floor Value as of the most recent Interim Performance Fee Calculation. Any losses incurred by the Account subsequent to the payment of a Performance Fee shall be recouped prior to the payment of any subsequent Performance Fee; provided however, the Investment Adviser shall in no event be required to refund any Performance Fee. In the event this Agreement is terminated prior to the Final Liquidation Date, an Interim Performance Fee Calculation shall be made as of the date of such termination and Investment Adviser shall be paid a Performance Fee based on such Interim Performance Fee Calculation.

"**Floor Value**" shall initially mean the value of the Basket on the date of acquisition of Client by Titanium Acquisition Corp. and Cheryl Saban. Floor Value shall thereafter be adjusted in accordance with the preceding paragraph as a result of any Interim Performance Fee Calculation.

"**Final Liquidation Value**" shall mean the value of the Basket as of the Final Liquidation Date, plus or minus the value of the Collar listed in Schedule A hereto (the "**Collar**") on the Final Liquidation Date. Final Liquidation Value shall be adjusted in accordance with the second preceding paragraph as a result of any Interim Performance Fee Calculation.

The value of the Basket on any date shall be the aggregate value of the securities contained in the Basket on such date. The per share value on any date of any security in the Basket listed on the Nasdaq NMS shall be the last traded price quoted by such exchange on such date without regard to extended or after hours trading. The per share value on any date of any security in the Basket listed on the New York Stock Exchange shall be the closing price quoted by such exchange on such date. The value of any other assets of the Account shall be determined in good faith by the Investment Adviser, including by reference to proprietary models.

11/13/01 email

Mary A. Pan, Michael Grippo, Russell Schreiber Chris M. Hirata, Chuck H. Wilk

Performance Fee - Mary,

Attached please find a .pdf file that summarizes the trading activity in Titanium Trading Partners, LLC ("Titanium") as verified by Rusty. Below the calculation of the investment performance you will see the detailed calculation of our $7,597,430 performance fee as outlined in the investment advisory agreement between Titanium and Quellos Custom Strategies, LLC. Please remit payment of this fee from Titanium's account at HSBC according to the following wire instructions as soon as possible:

Bank of America
ABA # 125000024
Quellos Custom Strategies, LLC
ACC # 68870815

Please call me immediately if you have any questions. Thanks Mary.

Bank of America

V

5341

FROM: BANK OF AMERICA/WAX
TO: QUADRA CUSTOM STRATEGIES INC.,
601 UNION ST., 56TH FLOOR
SEATTLE, WA
ATTN: MARK SEARS
DATE: 011119
::
From: Bank of America, Wire Transfer Services
Wire Transfer Advice
Date: 19-NOV-2001, Account: 68870815

QUADRA CUSTOM STRATEGIES INC.
601 UNION ST., 56TH FLOOR
SEATTLE, WA 98101
Attn: MARK SEARS

Please contact us at 1-800-577-9473 (WIRE) if you have any questions about this wire transfer. Thank you for using Bank of America Wire Transfer Services.

This transaction was credited today in the amount of 7,597,430.00

Our Ref:	011119009547	
Senders Ref:	323IZ00113B00000	
External Ref:		IMAD=20011119B1QB9B4C00[redacted]
Originator:		TITANIUM TRADING PART 10960 WILSHIR E BLVD 2233 LOS ANGELES CA 9002 43702
Originators Bank:	[redacted]	TITANIUM TRADING PARTNERS LLC 19 MOUNT HOVELOCK DOUGLAS ISLE OF MAN UK IM12QG 00000
Sending Bank:	021001088	HSBC BANK USA BUFFALO, NY
Beneficiary:		QUELLOS CUSTOM STRATEGIES, LLC
Originator to Beneficiary Info:		REF: PERFORMANCE FEE

NNNN

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 445

PSI-QUEL 40188

THE IRISH TRUST COMPANY (CAYMAN) LTD.

Application for a
Restricted Trust License

The Irish Trust Company (Cayman) Ltd. (the "Company") will be formed under the laws of the Cayman Islands to provide trust and mutual fund administration services to the persons and entities set forth below. Accordingly, the Company hereby makes an application to the Inspector of Financial Services for approval in principle of a Restricted Trust License. The Company is also submitting a separate application for a Restricted Mutual Fund Administrator's License.

The address of the Company's Registered Office will be The Ugland House, 5th Floor, South Church Street, George Town, Grand Cayman, and the Company's authorised agent will be Ms. Michelle Boucher.

Ownership

The Company will be wholly-owned by Irish Holdings, Ltd., a company to be formed under the laws of the Cayman Islands. Irish Holdings, Ltd. will in turn be owned by the following Isle of Man discretionary trusts[1] settled by Mr. Keith L. King on February 2, 1994, with Lorne House Trust as the original trustee and having the following beneficiaries:

1. The Bessie Trust: Keith L. King, Sam Wyly, the wife of Sam Wyly and the issue of Sam Wyly;

2. The Tyler Trust: Keith L. King, Charles J. Wyly, Jr., the wife of Charles J. Wyly, Jr. and the issue of Charles J. Wyly, Jr.; and

3. The South Madison Trust; Keith L. King, Michael C. French, the wife of Michael C. French, and the issue of Michael C. French.

These three trusts (to be referred hereinafter as the "Shareholders Trusts") also own Scottish Holdings, Ltd., a Cayman Islands corporation, which in turn owns The Scottish Annuity (Cayman) Ltd., a Cayman Islands corporation which was granted an Unrestricted Class B Insurer's License on June 29, 1994.

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[1]The address of each of the trusts is c/o Lorne House Trust Limited, Lorne House, Castletown, Isle of Man, IM9 1AZ.

Directors

The Company anticipates that the following persons will be members of the Company's Board of Directors:

1. Mr. Ronald Buchanan

   Mr. Buchanan, a resident of the Isle of Man, serves as a Managing Director of the Company. Mr. Buchanan is currently the Managing Director of the trust services company of Lorne House Trust Limited, a position he has occupied since 1982, and has over 25 years of experience in managing banks and investment and trust companies.

2. Mr. Francis O. Flanagan

   Mr. Flanagan, an Irish national, currently serves as Vice Chairman of Queensgate Bank & Trust Company, Ltd., a position he has occupied since 1993. Mr. Flanagan has twenty five years experience in international banking, asset management, and personal and corporate trustee services. From 1985 to 1993, Mr. Flanagan served as Managing Director of Aall Trust & Banking Corporation, and prior to that time, Mr. Flanagan served as Area Managing Director of the Canadian Imperial Bank of Commerce Trust Operations in the Bahamas and Grand Cayman.

3. Mr. Michael C. French

   Mr. French, a citizen of the United States, is a Managing Director of Maverick Capital, Ltd., an investment management firm based in Dallas, Texas, and is a consultant to the international law firm Jones, Day, Reavis & Pogue. From 1970 to 1995, Mr. French was a partner of the Dallas-based law firm of Jackson & Walker, L.L.P., where he served as Chairman of the Management Committee from 1988 to 1992 when he joined Maverick Capital. Mr. French serves as a director of Sterling Software, Inc., a computer software provider listed on the New York Stock Exchange, and Michaels Stores, Inc., a national specialty retail chain listed on NASDAQ.

4. Mr. J. Dennis Hunter

   Mr. Hunter, a British national and Cayman Island resident, is currently the Managing Director of Queensgate Bank & Trust Company, Ltd. in George Town, Grand Cayman, a position he has occupied since 1993. Mr. Hunter has over sixteen years experience in international banking and mutual fund administration, and from 1978 to 1993, served as Financial Controller and Treasurer of Aall Trust & Banking Corporation, Ltd.

5. Mr. Keith L. King

Mr. King, also an Isle of Man resident, serves as a Managing Director of the Company. Mr. King is currently the Managing Director of the securities brokerage firm of City & International Securities, a position he has occupied since October, 1989. From September, 1987 to October, 1989, Mr. King served as a director of E.S. Securities, Ltd. and was Managing Director of European Capital Bonds, Ltd. from March, 1986 to September, 1987. A member of the Securities Institute, Mr. King is a director of Lorne House Trust Limited.

The Company anticipates sub-leasing office space at Queensgate Bank & Trust, and will therefore have Messrs. Hunter and Flanagan at its disposal to provide the necessary professional knowledge and expertise in trust matters virtually at all times.

Officers

Ms. Michelle Boucher will serve as the Company's Manager of Finance and Administration, a position which she currently holds with The Scottish Annuity Company (Cayman) Ltd. Ms. Boucher, a Canadian national, has resided in the Cayman Islands since 1992. She spent two years as a Senior Client Accountant in the Mutual Fund Department with MeesPierson (Cayman) Limited, and prior to that time, was an auditor with Price Waterhouse. Ms. Boucher is a Chartered Accountant and holds a BMath from the University of Waterloo.

If the Restricted Trust and Restricted Mutual Fund Administrators licenses are granted, the Company expects to submit an application to the Immigration Authorities requesting that Ms. Boucher's work permit be shared by the Company and The Scottish Annuity Company (Cayman) Ltd. Moreover, should the licenses be granted, it is likely that the Company will hire an additional person to assist in the administration of the Company.

Legal and Accounting

The Company's legal matters will be handled by Messrs. Maples & Calder. The Company will be audited by Messrs. Ernst & Young (P.O. Box 510, George Town, Grand Cayman), and the partner in charge of the audit engagement is Mr. Daniel Scott. The fiscal year of the Company will end each December 31, and it is expected that the accounts of the Company will be audited by June 30 of each year.

Subsidiaries

The Company does not anticipate having any subsidiaries at this time.

BUSINESS PLAN

The Company is being formed in part to provide trust services to the following two groups of people:

1. Policy holders of The Scottish Annuity Company (Cayman) Ltd. ("Scottish Annuity")[2]. The ability of the Company to provide such trust services is important in two respects:

   (i) There are several U.S. states that impose a penalty tax on residents that purchase annuity policies from "alien" insurance companies such as Scottish Annuity. Individuals in these states may avoid having to pay these taxes by forming an offshore trust with the Company which would then purchase the annuity from Scottish Annuity.

   (ii) Forming an offshore trust for the purpose of holding the annuity policy would provide the individual policy holder with an additional level of asset protection.

   The Company anticipates that approximately 10-20% of its contract owners will establish an offshore trust with Scottish Annuity that will then in turn purchase and hold the annuity policy.

2. Beneficiaries of the Shareholders Trusts (Please see page 1 for the details of the beneficiaries of the Shareholders Trusts).

Accordingly, the Company requests that the trust license to be granted pursuant to this Application be restricted to the aforementioned groups of people.

[2]The address of The Scottish Annuity Company (Cayman) Ltd. is Ugland House, 5th Floor, P.O. Box 30464, George Town, Grand Cayman, Cayman Islands.

FINANCIAL STATEMENT ASSUMPTIONS

1. All amounts are shown in US dollars. The Company assumes that it will earn a 5% rate of return on the $25,000 minimum capital requirement.

2. The Company expects to charge a fee of $500 to establish each trust, and a $500 annual trust administration fee. It is further assumed that Scottish Annuity will issue 24 in 1996 and 43 in 1997, and of those policy holders, 15% will use a trust which will in turn purchase the annuity contract. Thus, it is assumed that 4 new contract owners will use the Company's trust services in 1996, with that number increasing to 6 in 1997.

3. The Company assumes that it will earn fees of $25,000 and $35,000 in 1996 and 1997, respectively, from administration of Shareholders Trusts.

4. The attached financial statements reflect the activity of the Company's trust services only, i.e., any income to be derived from the Company's projected mutual fund administration activities is not included.

BALANCE SHEET

Initial Projected Balance Sheet

Cash/Cash Equivalents	$25,000	
Equity		$25,000

Balance Sheet After Year 1 (1996)

Cash/Cash Equivalents	$25,250	
Equity		$25,000
Retained Earnings		250

Balance Sheet After Year 2 (1997)

Cash/Cash Equivalents	$32,500	
Equity		$25,000
Retained Earnings		7,500

INCOME STATEMENT

Income Statement After Year 1 (1996)

Income:	
Trust Administration Income	$29,000
Interest Income	1,250
Total Income	$30,250
Expenses:	
Management & Administrative Expense	$30,000
Total Expenses	$30,000
Net Income	$250

Income Statement After Year 2 (1997)

Income:	
Trust Administration Income	$41,000
Interest Income	1,250
Total Income	$42,250
Expenses:	
Management & Administrative Expense	$35,000
Total Expenses	$35,000
Net Income	$7,250

MEMO Maverick

To: Charles

From: Sam

Date: June 6, 1996

Subject: Maverick Discussion Sheet

Existing ownership of Maverick is 66.88% Sam's Family and 33.12% Charles' Family. Charles' Family will reduce to 5% ownership.

The current shareholders have performance fees of $2,865,603 deferred. Those fees should be moved from capital to a deferred performance payable to the existing partners. Sam's Family would retain $1,916,515 and Charles' Family $949,088 and payment would be made when the 10 years elapse. This minimizes taxes for Charles' Family and minimizes cash flow requirements for Sam's Family.

Charles currently owns deferred compensation of $330,691. If he remains an owner, it will not be distributed or taxable at this time.

Capital accounts would be as follows at 4/30/96:

Capital Account	9,980,851
Reduce by Deferred Performance	(2,865,603)
Reduce by Ainslie Fee	(1,844,939)
Reduce by E. Wyly Fee	(335,158)
Employee Bonuses (Estimated - 10% of profits)	(493,515)
Maverick Capital Account @ 4/30/96	4,441,636
Sam Family Capital Account	2,970,566
Charles Family Capital Account	1,471,070

In exchange for retaining 5% of Maverick a minimum balance of $40 mm will be retained in the Hedge funds. Income may be distributed and losses do not need to be made up. Additionally, Charles' Family agrees to not pull out funds in excess of $1,000,000 per quarter without a six month notice. Approximate balances at 5/31/96 are:

Maverick Funds USA - Entrepreneurs and Miller	3,264,254
Maverick Income Fund - Entrepreneurs and Aspen	2,966,025
Maverick Fund, LDC - IRA, Pension and Foreign	24,372,333
Maverick Income, LDC - Foreign	9,525,113
Total	40,127,725

Existing ownership of Scottish Annuity is 2/3 Sam's Family and 1/3 Charles' Family. Charles' Family ownership will be reduced to 5%.

Irish Trust company will remain owned 2/3 by Sam's Family and 1/3 by Charles' Family.

The family office will remain combined with employees continuing to be paid from Sterling Software.

Seventy-five percent of Keith Hennington's compensation will be moved to Sterling Software

Maverick Entrepreneurs will stay the same for present. Ultimately the stock will be distributed to the Family members and exchanged for a private annuity or held in the U.S.

June 12, 1991

Distribution to: Sam Wyly
Charles Wyly
Evan Wyly
Mike French
Ethel Ketter

From: Shari Robertson

Re: Asset Protection and Tax Deferral

Attached are the notes from the seminar I recently attended and the workbook handed out. I believe there are some areas that the family "fits the mold" as Tedder frequently says. There is another seminar scheduled in mid-September and I would recommend attendance. I would also recommend that a private session be considered with Tedder. There is also an attorney in Houston, Walt Wilson that specializes in asset protection.

Asset & Lawsuit Protection Symposium
Pratter, Tedder and Graves
Orange, California
(714) 771-7584

The foundation behind any transaction should be estate planning. The three major sources of creditor problems - unknown creditor, IRS - inheritance, IRS - income tax.

GOALS

1. Never pay probate unless there is a tax advantage in your state (not in Texas).

2. Whenever possible eliminate inheritance tax - Tedder says everyone can reduce it to zero.

3. Wherever possible reduce income tax - both domestically and foreign.

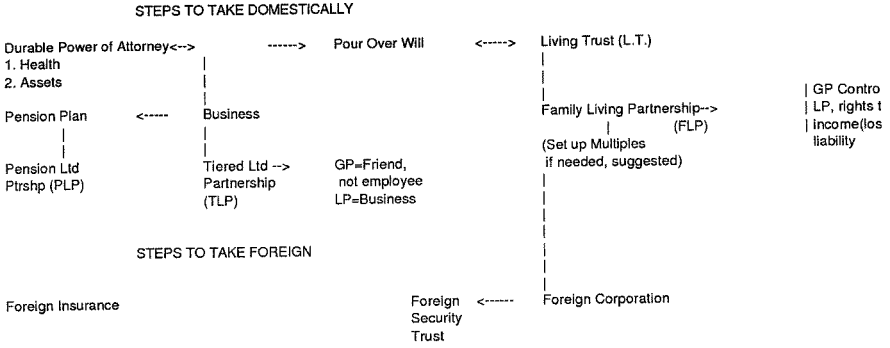
4. Never let a creditor get your asset, no matter how bad your mistake. (In 18 years of practice, Tedder's firm has never had a creditor successfully pierce the asset protection setup).

5. Be able to change your asset protection/tax savings system.

6. Feel comfortable with the setup you've got. If your not comfortable with a foreign setup don't do it.

ASSETS THAT YOU CAN PROTECT

1. Salary - current and future
2. Cash, stocks and bonds
3. Real Estate
4. Home (Not needed in Texas)
5. Business Stock
6. Business Inventory
7. Business Cash
8. Business Accounts Receivable
9. Patents, Copyrights, and royalty income
10. Pension, Profit Sharing, IRA, Deferred Comp
11. Goodwill
12. Disability Insurance policy
13. Promissory notes
14. Personal Property



TWILIGHT SYSTEMS

Foreign by specific terms of IRS code and approved by the Treasury.

ITEMS TO BE PREPARED TO DO

1. Always over disclose what you've done to the IRS
   94% of IRS indictments is for non-disclosure
   81% of IRS indictments comes from info from ex-spouse
   or ex-partner, when in doubt file a form
2. Always show your chart to the creditor, rely on law
   not secrecy (recommends you do a chart as above)

ESTATE TAX RATES

Less than $10,000,000 - 55%
> than $10,000,000 < than $20,040,000 - 60%
>than $20,040,000 - 55%

DURABLE POWERS

1. A must, either spouse, close friend or child
2. Without, to get conservatorship takes 1-6 months
3. Time costly because of weekly monitoring to court

A durable power replaces the need of a conservatorship, comes into effect immediately. A durable power for health purposes lasts for seven years. A durable power for assets purposes lasts for life.

ADVANTAGEOUS
1. Very inexpensive
2. Takes affect immediately
3. Never a contest as to who controls assets
4. No reporting to the court
5. Asset protection device - whoever you pick will control
   health and assets.

DOWNSIDE
1. Spouse or appointed person may try to use illegally, be careful

who you pick, Texas has no case law on "Self-Dealing"

If you'r not married, pick anybody, do not leave up to court to make the decision.

FRAUDULENT CONVEYANCE

Texas has a four year "look back rule". In Texas it is considered a fraudulent conveyance if you 1) hindered creditor from getting to the asset 2) transferred assets to another party without adequate consideration and 3) transfering assets causes insolvency.

Do your asset protection now, put it in place even if you currently have exposure to any of the above.

Tedder says there is no problem to get a jurisdiction to accept you even if there is a claim against you or the transfer causes insolvency.

POUR OVER WILL

Allows you to transfer assets in the direction you want on an immediate basis and passes control to the persons you choose.

A will is mandatory to escape probate. Every single asset should be owned by a trust to escape probate.

Tedder's thoughts on litigation - it's stupid, expensive and timing consuming. Tedder's job is to screw a plantiff's lawyer, not you.

ADVANTAGEOUS

1. Allows you to pick a guardian for your children
2. Allows you to pick an executor for your estate
3. Allows you to make specific "gifts". Always be sure you put a "hat clause" in your will, stops arguments. If the parties receiving the gifts start arguing over who gets what then executor puts all assets in the hat and they all pull a slip - Tedder says this really stops arguments.
4. Allows for special clauses.
   a. To exclude a child
   b. To give a child more or less than another child
   c. No contest clause - If I fight my distribution I get nothing - "poison pill"
   d. Special family needs - economically or physically

handicapped child.

PROBATE

You should own some minimal property at death in your name. Tedder recommends $100. Why? Creditor's have a cutoff period of four months to make a claim against an estate, they are forever barred from making a claim thereafter. This includes all creditors - the known, unknown and the IRS. A good asset protection device.

Nobody should want to probate other than for the creditor issue. Typically probate takes 2-4 years time, 5 to 10% of your estate, and there is public reporting. Cost to probate in Texas is typically 5% of the estate - there is no reason to have this cost.

LIVING WILL

Check with your hospital to see what is necessary documentation to disconnect life support if you wish that provision in your living will. Life support can become an "estate depletion" problem .

EXCLUSIONS MAY BE REDUCED

The exclusions may be reduced from $600,000 to the range of $200,000-$400,000 by congress in the near future. You might want to take advantage of the $600,000 exclusion now before it is gone. Of the General federal tax system, estate taxes are only about 11% of taxes. Federal Estate taxes are due 9 months after death, unless a business is more than 35% of the estate, then can be paid over 15 years at a low (I believe was 4%) interest rate.

REAL ESTATE - HOW TO HOLD PROPERTY

Typical ways to hold title:
1. Living Trust
2. Joint Tenancy - equal shares to each party, survivor receives property
3. Community Property
4. Tenants in Common - desiginates who owns what %
5. Tenancy by entirety - typically husband and wife
6. Sole and Separate Property

Joint tenancy is very rarely advantageous. The only reason to use J/T is if your estate is less than $60,000 and the property is going down in value.

Real Estate should always be fully encumbered, unless protected under the state's homestead laws.

This is Tedder's suggestion for holding non-homestead property. Appears would work well for 2nd homes.

	Real Estate		MV	500,000
Sell	|	|	Debt	200,000
Equity to	|	|	Equity	300,000
FS on a prom.	|	|		
note & Shared	|	|		
Appreication	|	<-----	5 year promissory note @ 5% interest	
$100,000	|	|		
50% profits	|---->	Foreign System		

Advantages
1. Creates system to protect Real Property
2. Interest goes to Foreign System tax free
3. % of Shared Appreciation is in foreign entity

Tedder says the IRS will get aggressive about a tax change soon. Move forward very soon if you hope to be grandfathered. Tedder mentioned (no names) two big real estate corporations sheltering $45,000,000 a month thru this arrangement.

Tedder says the following is in vogue today to sell real estate.
and protect cash:
Real estate is sold to a FLP or domestic corporation, in return
the FLP provides you individually with a private annuity. FLP
sells property. FLP then transfers cash to a Foreign System,
who assumes the obligation to provide you with a private annuity.
(Note: FLP should make a little something off the transaction.)
Tedder says under the tax code this seems to work, but is agressive.
Be sure to file lots of forms.

LIVING TRUST OR REVOCABLE FUNDED INTERVIOS TRUST

The Trust Agreement involves three parties: Grantor, Trustee and Beneficiary. For your lifetime you are Grantor and Trustee and maintain all control.

ADVANTAGES
1. Wipes out probate (Money and time)
2. Save $235,000 (assumes married) on estate tax on 1.2 million of your estate.
3. Pick and choose how assets are distributed over time.
4. Revocable - you can change as often as you wish.
5. No public reporting

Do not do a Testamentary Trust - it must go thru probate.
A living trust as no advantage as an asset protection device, but does eliminate asset depletion that probate would require.
Never name a financial institution has a trustee, they move to slowly, they are to conservative and they cost too much for services rendered. Tedder recommends naming a trusted friend to be trustee of the living trust at your death.

RECAP - THE BASIC STRUCTURE EVERY US CITIZEN NEEDS MINIMALLY IS A DURABLE POWER, POUR OVER WILL AND TRUST, BUT THIS GIVES YOU NO ASSET PROTECTION.

ASSET PROTECTION

How do you avoid a creditor getting to an asset. If you own more than 30% of a corporation a creditor can force dissolution of the corporation with a judgment award.

FAMILY LIMITED PARTNERSHIP (FLP)

A creditor cannot force the sale of a partnership interest. The only rights the creditor have is to income distributed. In Texas the creditor must have a charging order. The FLP works not only for the future unknown creditor, but Tedder says is the best 2nd marriage protection. A domestic judge cannot force a sale unless fraud was committed. The FLP is also an excellent way to preserve separate property in a 2nd marriage. Typically the community FLP is written so that neither party can require the other to sell assets of the partnership. All a judge can award is the partnership interest. Tedder says prenuptial agreements do not work, a FLP does.

Comments - 96.2 % of all lawsuits in the world occur in the U.S. Tedder has not had a FLP pierced in 18 years of practice in the asset protection field.

ADVANTAGEOUS

1. Creditor cannot get to asset, only income distribution.
2. Tremendous inheritance tax reduction system, allows you to give a % of interest in the FLP annually to kids, without giving cash or control, would still allow you access to cash in the partnership via salaries and loans.
3. Where kids are in a lower income tax break there is a tax reduction. Always file gift tax form 709 each year because of the three year statutes. If the IRS doesn't contest value of partnership interest, the value is set for estate tax purposes.

Transfer assets even if you know of a potential judgement, you will probably still be protected. Have your partnership in another state than the state you live in. Tedder sugggested Texas, Ohio,

Connecticut and Florida has the best jurisdictions to use. This just makes lawsuits that much more of a hassle for the creditor.

If you are concerned about fraudulent conveyance, the FLP is the best transfer. You get equal consideration - you contribute the asset and get an asset of equal value. In Texas you do need to be concerned about the "hinder rule". But if a judgment has not been filed you're probably ok, even if a lawsuit is in process.

Have the FLP's cash in a foreign bank for added protection.

Always put a spendthrift clause in the FLP whereby the beneficiaries only get the assets under certain conditions, if the conditions don't exist than the beneficiary doesn't get the asset. This protects your assets after death if a beneficiary will lose the asset to a creditor upon receiving.

Unless the Texas law changes there is no reason to put your homestead in a FLP. If you do transfer real estate (Malibu and Woody Creek) to a FLP, be sure to get a waiver from the taxing authority so there will be no increase in property taxes.

The FLP accomplishes the same thing as the Children's Trust without being irrevocable. You still control and have access to the funds.

Do a loan between the FLP and your business whereby your business pledges all assets - AR, inventory, equipment, etc. as collateral, file a UCC-1. Tedder says you can tie up assets in California for 25 years. Will need to check on Texas. Keeps creditors from being able to get to the business assets.

Always determine a reasonable distribution of income in the partnership - suggested 5%. But remember that a distribution does not have to be cash, the partnership could contribute to a new partnership for you. This would protect from the creditor. You can always get funds out of the partnership and avoid the creditor by taking the funds as salary, loan or a contribution to a new joint venture.

Interestingly, if a creditor has a charging order to the income

rights of the partnership interest, he, for federal tax purposes has the income as stated on the K-1. The tax code is very clear about this. This is a great negotiating tool with the creditor. You can also force a tax audit on the creditor in this situation, which again can be a negotiating tool.

Tedder recommends that you consider having someone in the partnership besides just the husband and wife. He suggests either children or he says a charitable institution puts up a great fight with a creditor.

FEDERAL TAXES

See chart 17.5 of the manual
1. If you are actively involved in a foreign business, than federal taxes can be avoided.
2. If you are a passive investor in a foreign corporation, taxes can be deferred until your death.
Remember - always over disclose to the IRS

LIFE INSURANCE

The only reason Tedder recommends to have life insurance is:
1. To cover liquidity needed by the estate upon death
2. To pay inheritance tax
Tedder recommends strongly "2nd to die" policies. Evidently these type of policies for a married couple are cheaper. Always have the life insurance owned by a life insurance trust. Why? No taxes, irreocable which means it is protected from your creditors.

CHARITABLE REMAINDER TRUST

This seems like a very interesting concept to people who make large charitable gifts. Look at chart 47 in book for further explanation on how the Trust works.

ADVANTAGES
1. Get charitable deduction
2. Once gift is made the asset excapes estate tax
3. Income stream for life

4. Family receives distribution at donees death.

The person that makes the gift loses control of the principal but retains rights to the income stream.

FOREIGN SECURITY TRUST (FST)

Irrevocable for a period of time (5, 10, 15 years etc), renewed at your option, has an independent trustee.

Transfer LP interest of your FLP to your FST. At transfer there is no gift tax and no inheritance tax because it is not a completed delivery. Thru your ownership of the GP of the FLP no control has been lost. The FST is controlled by the Trustee, but only holds a partnership interest.

If the creditor tries to reach from you to the FLP, he then has to go to the jurisdiction of the FST to sue. Tedder has done FST's for 9 years and has had none pierced. His firm currently has 3000 FST's in place.

The only detriment to the FST is if for your situation it is overkill and how paranoid you are with working with a foreign jurisdiction.

Tedder recommends the following jurisdictions - Cayman, BVI, Isle of Man, Cook Islands. There was an attorney from Houston, Texas in the seminar - Walter Wilson [redacted] and he typically uses Isle of Man, Jersey and the Caymans. There are 43 tax havens where less than 2% tax is paid and 60 tax holiday countries.

Tedder says that his firm can typically setup a FST for $5000 to $7500. That the setup fees in the jurisdictions are $1000 - $1200 and will cost about the same annually thereafter. Tedder states that the jurisdiction should always charge a flat fee, rather than some ratio to the asset value.

Tedder says that he only knows of a couple of firms that will act on behalf of a creditor trying to reach assets in a FST. The firms require a retainer up front of $125,000. To date, Tedder has not had any FST his firm setup be attacked successfully. There have been

[redacted] = Redacted by the Permanent Subcommittee on Investigations

some out of court settlements.

Tedder tells his doctor story, a client he represented two years ago. When the doctor came to Tedder, the doctor had a $3,500,000 judgment against him. The Dr. had unsuccessfully appealed the judgement. The judgment was unrelated to his line of work. The doctor setup the whole structure - LT, FLP and FST. He picked a jurisdiction of Nevada for the FLP, Caymans for the FST and resided in California. In California there is additional exposure of a fraudulent conveyance claim. If you fraudulently transfer assets after a judgment has been made the judgment goes up by 1/2. So after the transfer the doctor had exposure at over $5,000,000. After several years of litigation and numerous settlement offers by the creditor, the last being $500,000, the case was one month from going to court. The creditor had sued in California, Nevada and the Caymans. The doctor came to Tedder and said what can I do to make life more difficult for the creditor? The doctor immediately moved jurisdiction of the FST from the Cayman Islands to the Isle of Mann. The creditor was notified by the doctor immediately that jurisdictions had been changed, and oh by the way, Cayman has a law where the lawsuit does not follow to the new jurisdiction. The creditor was back to square one. The creditor eventually settled for $21,000, the attorney's travel costs to the Caymans and paid out in excess of $400,000 in attorney's fees. The doctor in addition to the settlement was out $40,000 in attorney's fees.

This type of structure discourages the "frivolous lawsuit".

Who's the beneficiary of the FST? Typically the same as the beneficiary to your living trust and life insurance trusts.

If the FST that you set up is a Grantor Trust (Revocable) than it will be in your estate. If it is a non-grantor Trust it will be outside of your estate.

The Cook Islands say that there is no such thing as a fraudulent conveyance. Tedder is a little concerned that this is overkill decision.

Tedder recommends banking with a foreign bank that does not have

a domestic jurisdiction, when moving cash to a FST to be held in the foreign country.

Will setting up a FST automatically trigger an annual audit by the IRS? There is a form required to be filed with the IRS in Philadelphia, however only 1/3 of 1% of those parties who file the form are audited.

Real estate is a little trickier to put in an FST. Though there is no current law granting a domestic judge the right to award a judgment against a property owned by a FST, Tedder thinks there is some exposure. He suggests having the FLP own the property. The FST loans money to the FLP and gets a security interest on the property and a lien is filed. Tedder always recommends if you can't do asset protection, then encumber.

PENSION PLANS

50 % of every creditor making a claim can attach 50% of your pension plan. Trend is that all of your pension plan will be available to creditors.

If the Pension plan put their money into a Pension Limited Partnership (PLP) and then invested the funds in Foreign municipal funds, any creditor of the company or the individual (in the case of your individual IRA's and Keogh's) will not be able to reach the funds unless there is a distribution. Always put the pension funds assets in a subsidiary that is a Limited Partnership.

If a distribution needs to be made to a pension plan owner and there is a creditor issue, pass the interest out to the employee as a partnership interest. The GP of the PLP cannot be related by blood or be an employee and must get consideration. This is an area where the companies should take a look. In addition to the PLP, C-corp or an S-corp will work.

ALTAR EGO

If you are and Officer, Director and/or majority shareholder (typically 1/3 owner), there is potential liability to the corporation you are serving. Put your stock of that company in a separate FLP. Tedder doesn't think a FLP helps that much with the altar ego problem. This is an area that if you agree to a private meeting with him should be discussed at more length. I was reluctant at a open seminar with numerous Texas participants and the seminar being taped to ask very many questions on this subject.

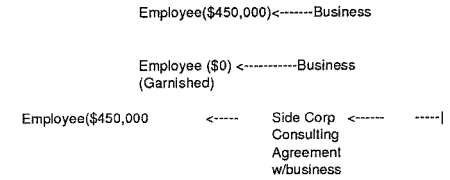
The US is now profiled as a litigation society. There are 75 new theory or cause of action claims each year on how a creditor can go after your. The jury trial awards increase 6% each year.

LIFE INSURANCE CASH VALUE

In Texas the cash value of your life insurance has the same characteristics as your homestead. Can't be reached by creditors.

SALARIES

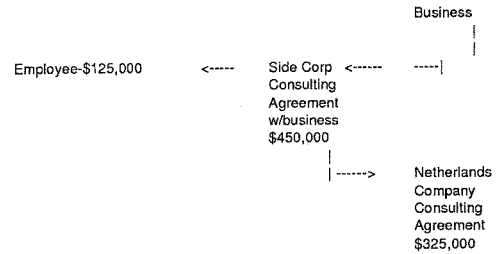
Though wage garnishment is not a problem in Texas, Tedder's solution is as follows:



Though this does not legally work, about only 1 in 300 gets pierced. In 12 years, Tedder has had 5 attacked, none lost.

DEFFERED COMPENSATION

To protect your deferred compensation this is Tedder's recommendation. Say the above employee wanted to take $125,000 now, and defer $325,000 until later, but wanted it protected.



The US currently has a treaty between the Netherlands. You could shift salary to the Netherland's and pay a 6% tax and defer all US federal income taxes. There needs to be a viable relationship between Netherland's Corp. and Side Corp. The income off the $325,000 is deferred until you bring the funds back into the U.S. Though my notes don't say, I remember that this is a one time 6% fee (need to verify). This means the balance, $305,500 grows tax free until you bring the funds back into the states. You control how the Netherland's cash is invested.

DOWNSIDE:
1. IRS may say that the contract between Side Corp and Netherland's Corp is not legitimate
2. Overbuse of this loophold will eventually cause the law to change

Even if you don't have legitimate international business, pay

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federal tax and still shift to Netherland's for deffered compound interest at a cost of 6% tax. You get tax deferral and asset protection still strong.

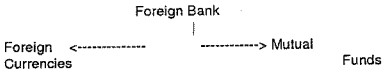
Netherland's law is non-restrictive, you can borrow on a note from the company for up to 95 years.

FOREIGN BANK INVESTING.

Tedder recommends investing internationally. Look at charts 64 and 65. Historically there is a reason to invest in foreign banks. Worldwide AAA rated banks can be found in Japan, Switzerland, Canada, Great Britan, W Germany, and The Netherlands. There is only one such bank in the US - Morgan.

Foreign Banks are safer, their reserve system is stronger.

Foreign Banks are international and universal. They act as brokers, easy to invest, more available to do with the money than in the typical US bank.



Foreign Banks track record is better - use for diversification. (Chart 66.5)

Consider using a Fund of Funds, which decides which market to invest in and which currency to invest. Tedder says these Fund of funds take minimal investment ($2000-$5000), charge 1 point management fee plus pass thru of mutual funds, load is typically 2-4%. (See chart 69). Tedder is mailing out a list of Fund of Funds.

FOREIGN INSURANCE

Why? Asset protection and tax benefits. It is not really insurance and works like this:

Cash ------> Foreign Insurance + Term Insurance
6% fee one time
94% you control investing

Upon termination (your death), beneficiaries get back assets and term insurance. Funds are unavailable to any creditors. A U.S. judgment would not be adhered to. Takes a minimum of $25,000 invested. Tedder recommends the Isle of Man. He can provide a list of contacts. If you need access to the funds, you go to a foreign bank and borrow the funds, pledging the foreign insurance as collateral. The foreign insurance compounds tax free until you bring back in. Even in your own name, this is still good asset protection. Tremendous retirement program. Beneficiaries would probably be the same as Living Trust. Creditors cannot grab.

Tedder says the Isle of Mann is the oldest known democracy - 1010 years. He says that Isle of Man is one of the best offshore jurisdictions (but cold).

There is no reporting obligation to the US on a foreign insurance policy. It is not considered a financial accounting. Good for asset protection and secrecy.

Contact for foreign insurance - Assurance on the Isle of Man, Derby House, Athol Street, Douglass, 011-[redacted] Colin Bowen
This person also does captive insurance.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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FEDERAL TAX

An US investor doing business in a foreign natures pays federal taxes.

If the US investors invests thru a foreign system he can defer tax, sometimes until death.

If the US investor invests thru a foreign business he can either defer tax or totally avoid tax.

A US citizen or resident pays taxes on income made anywhere in the world.

No matter who you are, if you're engaged in a US trade or business you pay US taxes.

If you are not a citizen, and don't engage in a trade or business in the US and income is not capital gain, 30% withholding tax. (ie: interest from bonds)

If you are not a citizen or resident capital gains are tax free.

If you are not a citizen or resident real estate has a withholding tax of 10% (FIRTA)

CONTROLLED FOREIGN CORPORATIONS

If a foreign corporation is owned by more than 50% US shareholders that own more than 10% each, then all US shareholders pay US taxes. As I understood, if US shareholders own more than 50%, but own less than 10% each then taxes are deferred or avoided. My notes are a little fuzzy, need to check into this further. Later in my notes if says - Foreign Corporation is not out as a deferral as long as US citizens don't own more than 9% each.

FOREIGN NON-GRANTOR TRUST

Rule 679 of the Tax code states the terms of a non-grantor trust:
1. Irrevocable for life
2. Beneficiaries are not entitled to distributions until one year after the death of the grantor (estate taxes due in 9 months)
3. Must have a foreign trustee.

The non-grantor trust would be an asset of the Foreign Security Trust.

Jurisdictions recommended were: Cayman, Isle of Man, Bahamas, Cook, Turk & Caicos, Gibraltar, BVI, Jersey, Barbados, BVI, Bermuda, and Gursey. Tedder says all tax haven governments are stable at this time.

In picking a jurisdiction for a foreign entity Tedder recommends:
1. Speaks English
2. Travel to location from US easily
3. Strong professional support within the country
4. Type of weather you like!

Be sure your foreign trust documents have a 24 hour clause. This keeps the foreign trustee honest. He knows at any time with 24 hours notice you can change trustee and/or jurisdiction. Always build this into your trust. Tax Havens are listed on page 83 of the book.

FOREIGN BANK

Is a foreign corporation licensed to do banking transactions. Pays no federal taxes. If you want to set up a foreign bank be prepared to:

1. Spend $50,000 to set up with a good bank manager
2. Spend $75,000 a year to keep bank manager
3. Fund with $2,000,000 in cash
4. Need non-grantor Trust to own foreign corp that owns foreign bank
5. Set up fees of less than $10,000.

Foreign bank is a good device to AVOID taxes. The foreign bank loop hole is on the hot list with the IRS right now.

Recommended jurisdictions are Cook Islands, Isle of Man, Cayman (minimum $3 million), Bahamas, Anguilla. Avoid these areas: Vanuatu, Barbados, Turks and Caicos, and Gibraltar.

This type of entity is favourable over some others because there is less reporting, and certain income is exempt from taxation. Tedder stated that there is no tax on the income from the cash. Might be a consideration for Sterling since it is international already and typically has cash to invest.

A magazine out of London - Euromoney is a good source to read up on foreign banks.

CAPTIVE INSURANCE COMPANY (CIC)

A tremendous business opportunity.

Typical insurance company if premiums are $1 million
- Upper management costs $100,000
- Support staff costs $50,000
- Reserves are $500,000
- Profit typically 10% or $100,000
- Reinsurance is $250,000

To be a captive insurance company the policyholders are the owners.

Requirements:
1. Your historical premiums have been greater than your claims
2. Your management is good management
3. Your reinsurance company better be good.

One half of the Fortune 500 companies have their own captive insurance company (Is this what Sterling has?)

Typically what happens in a captive insurance company is that the $500,000 used to pay reserves is paid out $200,000 in claims and $300,000 earns income tax free. Typically Tedder puts a captive insurance company in a foreign corporation or a US jurisdiction- Vermont or Colorado.

Tedder says this is an absolute gold mine, with great entrepenurial opportunities.

Failure rate of CIC is 1/3 of 1%. It is absolutely necessary to have a good manager and to purchase re-insurance. Tedder didn't recommend doing life insurance thru a captive insurance company. Recommended workmen's compensation and health insurance.

Typical cost to setup is $20,000 and 90 days in time. Jurisdictions recommended are Isle of Man, BVI and Bahamas. Typically recommends an annual cost of $500,000 in premiums to do.

DISABLITY INSURANCE

In Texas there is no incidence of ownership, all income is exempt from taxation (makes no difference who pays the premium). In states where this is not true, put insurance in a tiered partnership or insurance trust.

ANNUITIES

Domestic System------		----->	Foreign Corporation
pays for annuity			provides annuity
$350,000	<------	----------	$350,000

Need to follow the tax code, and start paying out at age 62.
Cash can be invested anyway you want.

ADVANTAGES:
1. Creditors can't get at
2. You can get cash out of Foreign Corp. thru salary or loan.
3. Goes to beneficiary tax free out of your estate

PROBLEMS:
$1,000,000,000 funds is going into annuities annually. The IRS will address soon, if you wish tax advantage of this loophole do now. Tedder considers this the best estate planning tool. This is an agressive tax mode to take - be sure to file every tax form available and any support schedule that seems pertinent.

BUSINESS ACCOUNTS RECEIVABLE

Business------	------>	Foreign System
$100,000 AR		Purchase AR on
Sell at factor's		Promissory note or
discount		with Cash (Cash is better)
		less factor's discount

Tedder says the discount should always be what is offered by a factor in your industry. The gain from the factor discount is tax free. Typically assign specific AR, which the domestic

corporation guarantees will be good and that the AR will be replaced with good ones if uncollectible. The arrangement is typically written for at least 55 years, in addition the company pledges all other assets. This area gets into business asset protection.

Tedder noted at this time that Nevada is no longer an asset protection state. Due to recent state law changes, it is becoming an attractive state for creditors.

TWILIGHT AREAS

POSSESSIONS CORPORATIONS

The Treasury Department give you a benefit for dealing with the possessions - Tax Code 936: Guam, MicroAsia, Puerto Rico, and Malaysia, on a foreign basis. To do this you have to match the mold of a Possessions Corporation:
1. 75% or more of your goods are sold to the U.S. or possession
2. You must move your company to a possession country

Advantages:
1. Typically labor production is better - Puerto Rico labor production is #2 out of all the states and possesions. Texas was #2 from the bottom, California #31.
2. Tax Breaks - 100% exemption for 20 years (same applies from US employee earned income from possessions corp.) from US tax.
3. Puerto tax ranges between 3-4%

You need a minimum of five employees. Sometimes the P.R. government is willing to provide employees and buildings free of cost for a period of time. This is an optimum choice for a manufacturing company with profits.

Downside:
If your company has a patent on the product being produced, typically the IRS takes the stance that the patent was produced in the U.S. This could cause an allocation of some portion of the profits to be reported in the US. If Puerto Rico were to become a state, these rules will stay intact for another 10 years.

MEXICAN MAQUILLA(SP?) DONA

Free trade zone with the US and Mexican border towns. This is a choice to make if you have a extensive labor costs.

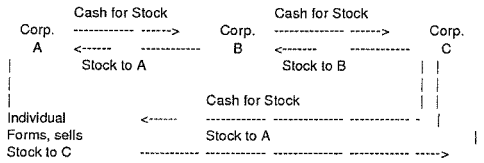
Advantages:
1. Payroll guaranteed at $1.25 an hour
2. No workmen's compensation requirements
3. No export/import problems
4. Product must be sold in the U.S.
5. Mexican legal costs under $10,000

At times the Mexican government will give concessions on property/ buildings and or financing. The only problem in the forseeable future is how long will the good labor last. It is a requirement that a US supervisor come with the operation and train a Mexican supervisor to eventually take over the operation.

UNICORPORATED BUSINESS OPERATION (UB0)

A very successful tool for asset protection. Since a UBO is not an individual, a partnership, a corporation there is no one legally of record to sue. However, the IRS has recently taken the stance that since they don't know what you are, they will presume that you are whatever entity pays the most taxes. Tedder is afraid that creditors may starting attacking using the IRS theory, that they think you are whatever is the easiest entity to pierce. Two judges have now ruled in favor with the creditor under this theory.

HOW TO AVOID ESTATE TAXES
THE PERPETUAL CORPORATION



The individual originally forming is the President of all corporations. This person has voting pool rights whereby he is President until his death, then leaves his kids control, then leaves grandkids control, etc.

Have you avoided estate tax on the assets within the corporations? Yes. Is it agressive? Yes. Does the IRS know what to do about this? No. Why? The IRS would love to challenge, but can't figure out who to go after because they don't know who owns. Has good asset protection - hard to pierce.

FOREIGN INVESTMENT CORPORATION

Must have more than 35 people to have tax deferral and must invest the funds other than domestically, long term tax deferral on gain per tax code 1246-1250.

PRIVACY AND SECRECY

Tedder says that privacy and secrecy should never be your number one choice. It's fine if you get it with the tax deferral and asset protection, but don't rely on it. The number one country at this time would be Austria. The bank accounts are true numbered accounts, no names, no signatures with a passbook. To get the funds

you need the passbook and the number. Eighty percent of all accounts in Austria are structured this way.

CREDITORS TO BE CONCERNED ABOUT

1. Sophisticated creditor with sophisticated lawyers
2. Guy that hates you so much that he will spend $100,000 to get $1000

COMPLIANCE REQUIREMENTS

When in doubt file a form even if you have to make up the form.

FORM 709
Whenever you make a gift over $10,000. Three years after you file the return by presumption the MV is set. Tedder suggests filing 709 even for gifts under $10,000, especially in they are a percentage of interest in a FLP that has non-cash like assets. This form is filed with the 1040.

FORM 926
If you make a transfer of assets into a Foreign Trust or Foreign Corporation it must be disclosed on this form with the IRS and filed in Philadelphia.

FORM 1040
On Schedule B, items 1 & 2 ask do you have more than $10,000 in an foreign financial institution or do you have signature or other financial authority over a foreign account. Answering this yes does not trigger an audit.

FORM 3520
Form you file when you form a foreign trust. Definite with non-grantor trust. Always state that you may have formed this entity for tax benefits in the future. Attach a copy of the Trust Agreement for safety. File in Philadelphia.

FORM 3520-A
Annually keep confirming that the Trust is in existence. File in Philadelphia.

FORM 4790
File whenever a currency transfer in excess of $10,000 to a foreign jurisdiction with the IRS in Washington D.C. If funds are wire transferred it is not required. The penalty is severe if you do not file the form with criminal intent - $5000 fine and five years in jail. (Drug dealer law).

FORM 5471
Information return filed with respect to forming a foreign corporation. The form just wants to know what you're doing. Persons who must file are officers and directors and 10% owners. File in Philadelphia. You will never file this form. Officers and directors will be foreign parties (nominees as with the Jersey corporation), and to get tax breaks must be less than a 9 % owner.

FORM 5472
Foreign owned corporation that owns domestic stock must file this return. File in Philadelphia.

FORM TDF 9022.1
If you have control of a foreign bank account (1040 Sch B), file this return. It is filed in Detroit and there is no penalty for not filing.

Meeting with Staff of the Senate Permanent Subcommittee for Investigations on Behalf of Sam Wyly and Charles Wyly

May 15, 2006

Subject to agreement of confidentiality
and non-waiver

Response to Request Number 1

I. Principal Legal Advisors

A. Principal Law Firms Utilized

II. Legal Review of the Offshore System

A. The Wylys' Introduction To International Planning

B. Legal Advisors – Original Planning

C. Time-line of Tax Advisors

D. Time-line of Securities Advisors

E. Other Key Advisors

Principal Law Firms Utilized - Jackson Walker

Full service Dallas firm. In 1990 it was one of the ten largest Texas-based firms, founded in 1889 (Michael French – partner 1991-1995).

Active Attorneys:

M. French
M. Post
R. Groves
C. Gilbert
R. Hawkins
C. Maguire
B. Flody
L. Bean
J. Ryan
Davies
R. Kalteyer
D. Easley
E. Scherlen
T. Taylor
J. Klein

Principal Law Firms Utilized – Jones Day

One of the largest international law firms counts more than half of Fortune 500 among its clients. Founded in 1893. Dallas office offers sophisticated international securities and tax advice (Michael French – consultant 1995-2000).

Active Attorneys:

R. Estep	J. McCafferty
E. Giddens	J. O'Bannon
K. Barlow	R. Lee
K. Hochman	M. Betzman
M. Garnett	J. Rooks
A. Sim	R. Jason
F. Arnold	T. Gillepsie
W. Ditto	T. Cefalo

Principal Law Firms Utilized – Meadows Owens

Tax specialty firm with practice areas including "family wealth preservation" planning and securities (principal counsel following French's separation from Wylys).

Active Attorneys:

R. Owens	**C. Pullman**
A. Stroud	**W. Cousins**
C. Blau	**D. Kniffen**

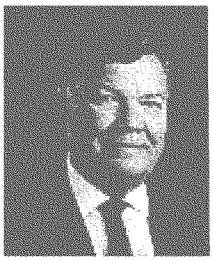
Principal Law Firms Utilized – Morgan Lewis

Leading international law firm, whose tax practice develops and implements tax-efficient structuring to satisfy client objectives and provides strategic tax planning advice and representation on a variety of complex transactions for domestic and foreign corporations, partnerships and individuals.

Active Attorneys:

C. Lubar	**C. Calhoun**
K. Kail	**F. Mirabello**
A.B. Owen	**H. Goldberg**
S. Sittner	**W. Zimmerman**

Michael French, Esq.



- Graduated from Baylor Law School in 1967 (JD)
  - Honors: Cum Laude, Baylor Law Review, First in Class, Highest Grade on Texas Bar Exam
- '70 – '95 Jackson & Walker
- '88 – '92 Managing Partner of Jackson & Walker
- '92 – '01 Oversaw the Wyly's global asset holding system, acted as trust protector, and General Counsel to the Wyly Family.
- '93 – '96 Maverick
- '94 – '06 Scottish (Chairman)
- '95 – '00 Jones, Day, Reavis and Pogue

II. Legal Review of the Offshore System

A. The Wylys' Introduction To International Planning

B. Legal Advisors – Original Planning

C. Time Line of Primary Legal Tax Advisors

D. Time Line of Secondary Legal Tax Advisors

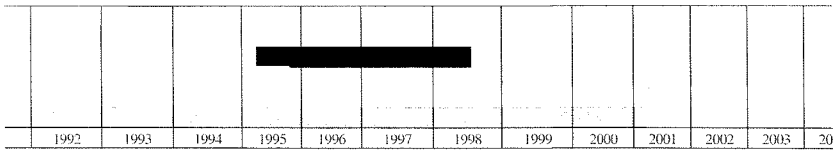
E. Time Line of Securities Advisors

F. Other Key Advisors

A. The Wylys' Introduction To International Planning

1991	1991	1992	1992	1992
Spring	**November**	**March**	**March**	**April**
Shari Robertson attends a David Tedder asset protection seminar, which detailed international planning techniques	Sam and Charles Wyly, Mike French and Robertson attend Tedder Seminar in New Orleans	Michael Chatzky and Bob Berends meet with French and Robertson in Dallas Jackson & Walker coordinate tax opinions	French implements international planning IOM Trusts settled Jackson & Walker oversight	Private annuity transactions French and Robertson trust protectors Jackson & Walker oversight

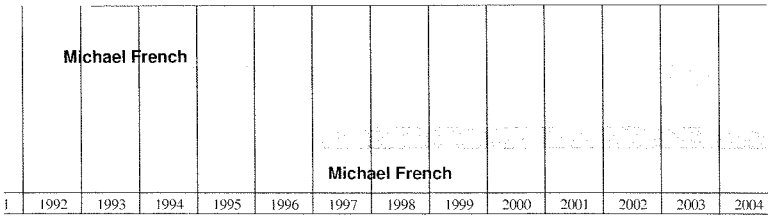
B. Legal Advisors – Original Planning



Tedder/Chatzky Retained or Asset Protection and Tax Deferral Planning

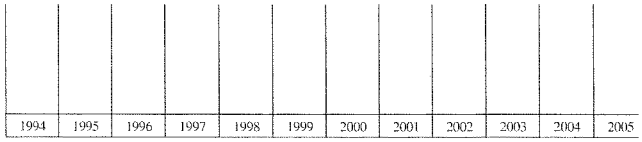
Tedder, Chatzky, Berends
Jackson Walker
Chatzky & Associates
Morgan Lewis
Meadows Owens
Michael French

C. Time Line of Primary Legal Tax Advisors



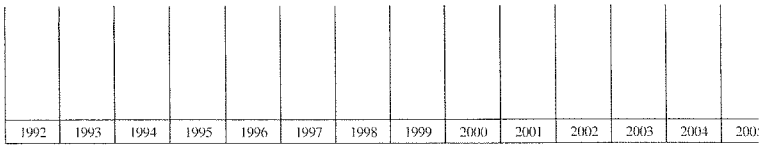
Tedder, Chatzky, Berends	Compliance. Propriety of the Offshore System. IOM Trusts. Private Annuities. Tax Opinions
Jackson Walker	Compliance. Propriety of the Offshore System. IOM Trusts. Private Annuities. Tax Opinions. Foreign Tax Planning Implementation and Oversight. Business Transactions. Foreign Investments Vehicles
Morgan Lewis	Compliance. Propriety of the Offshore System. IOM Trusts. Tax Opinions. Maverick. Foreign Ins. Co.. Annuities. Charitable Contributions
Chatzky & Associates	Compliance. Propriety of the Offshore System. IOM Trusts. Tax Opinions. Private Annuities. Charitable Donations
Meadows Owens	Compliance. Propriety of the Offshore System. Foreign Trust Analysis; Tax Planning Implementation and Oversight. IOM Trust Related Loans. Security Capital. Trust-Related Real Estate Acquisitions. Civil Tax Litigation. Cayman LLCs. Bulldog II-Pitkin II. SBC 1099s. Art Transactions
Michael French	Compliance. Propriety of the Offshore System. Tax Planning Implementation and Oversight. IOM Trust-Related Transactions and Investments

D. Time Line of Secondary Legal Tax Advisors



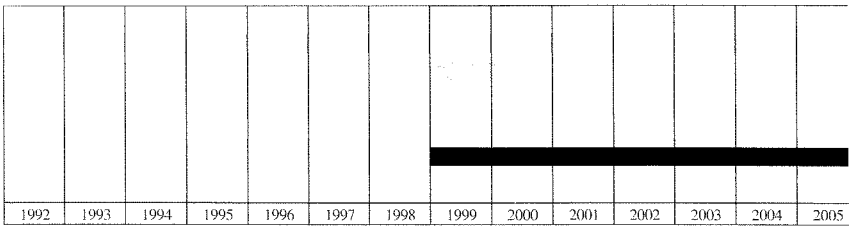
Maples & Calder	Cayman Attorneys. Maverick, Ranger, Security Capital, IOM Trust Related Loans
Chamberlain Hrdlicka	Tax Opinion

E. Time Line of Securities Advisors



Jackson Walker	Compliance, Propriety of the Offshore System, SEC Filings, Acquisition Agreements, Maverick, Transactional Business
Jones Day	SEC Filings, Maverick, Scottish, Green Mountain, Trust-Related Loan Agreements, Transactional Business, Offshore Investments, Offshore Private Placements
Michael French	Propriety of the Offshore System, SEC Filings, Maverick, Scottish, Green Mountain, Transactional Business

F. Other Key Advisors



Keith Hennington (CPA)	Tax and Estate Planning, Tax Returns, Finances
Sharyl Robertson (Administrator/Protector)	Family Finances, Trust Protector, Maverick
Elaine Spang (CPA)	Family Finances, Tax Returns
Stacey Wittrup (CPA)	Tax Returns
Michelle Boucher (Administrator/Protector)	Maverick Administrator, Trust Protector, Trust Administration, Scottish
Keeley Hennington (CPA)	Family CFO, Tax Returns
Ernst & Young	Tax Return Preparer, NV Corp Dissolution, Limited Partnerships, Fund and Irish Trust Audits, Green Mountain

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

Michael C. French ("French"), for his part, and Sam Wyly and Evan Wyly (together, the "Wylys"), for their part, enter into this Settlement Agreement and Mutual Release ("Agreement") on this 21st day of December 2000. The intent of this Agreement is to sever all direct and indirect business and professional relationships between French and the Wylys, to resolve all claims that French has asserted against the Wylys, and to forever end all disputes between French and the Wylys, except insofar as may be necessary to enforce this Agreement.

RECITALS

A. Contemporaneously with the execution of this Agreement and effective as of the date hereof, Michaels Stores, Inc. ("Michaels") and French have agreed to terminate that certain Consulting Agreement dated October 1, 1996, and in connection with termination of such Consulting Agreement, Michaels has agreed to pay to French $540,000 no later than January 15, 2001 in satisfaction of all unpaid amounts due thereunder. French and Michaels have also agreed to a mutual release of any and all claims related to such Consulting Agreement.

B. Contemporaneously with the execution of this Agreement and effective as of January 1, 2001, French has withdrawn as a limited partner of Maverick Capital, Ltd. ("Maverick") with the consent and approval of Maverick Capital General, L.L.C., the General Partner of Maverick. In consideration for such withdrawal and termination of his entire equity interest in Maverick, Maverick has agreed to pay to French an amount equal to the difference between (i) the sum of (a) $151,000, the amount of French's capital account as of January 1, 2000, (b) the amount of Maverick's net earnings for 2000 allocable to French in accordance with Maverick's established practices pursuant to Maverick's Third Amended and Restated Partnership Agreement, dated as of January 1, 1997 ("French 2000 Earnings"), and (c) the value

as of January 1, 2001 of those amounts held in Participant Accounts established in French's name pursuant to the Maverick Capital, Ltd. Amended and Restated Deferred Income Plan, effective as of January 1, 1998, and (ii) $200,000. Maverick has agreed to pay to French no later than January 23, 2001 (the "Settlement Date") the sum of (i) the amount determined pursuant to the preceding sentence without taking into account French 2000 Earnings and (ii) 95% of estimated French 2000 Earnings determined as of the Settlement Date. No later than March 31, 2001, Maverick has agreed to pay to French the difference between French 2000 Earnings determined on the basis of its audited financial statements and the amount taken into account pursuant to the preceding sentence. Maverick and French have agreed to a mutual release of all claims related to Maverick and French's limited partnership interest in Maverick.

C. The parties hereto desire to resolve certain disagreements among themselves in order to avoid the hazards and costs of litigation and the effects of possibly adverse publicity on their respective businesses.

AGREEMENT

For good and valuable consideration, the parties to this Agreement agree as follows:

1. On the Settlement Date, the Wylys shall pay or cause to be paid to French the sum of $15,309,000 to resolve all disputed claims among them. Such amount shall be paid by one or more certified or cashier's checks payable jointly to French and Godwin, White & Gruber, P.C.

2. French, for himself and for each of his family members, agents and employees, hereby fully releases and forever discharges Sam Wyly, Evan Wyly, their family members, trusts the beneficiaries of which include any such person or persons and any entity controlled directly or indirectly by one or more of the foregoing (each of Sam Wyly, Evan Wyly and such family members, trusts and entities, a "Wyly Person") and their agents and employees, now and forever, of and from any and all claims, demands, liabilities, obligations, causes of action and losses of

every kind and nature, whether known or unknown, that have been or that could have been asserted on or prior to the date hereof, including, without limitation, any claim that French is entitled to any equity participation (whether documented or undocumented) in any Sam Wyly-related or Evan Wyly-related enterprise. French represents that he has the authority to enter into this release and agrees to indemnify each Wyly person against any loss or expense resulting from the assertion of any claim released hereunder. THE RELEASE CONTAINED IN THIS PARAGRAPH DOES NOT AFFECT THE OBLIGATIONS OF SAM WYLY AND EVAN WYLY SET FORTH IN THIS AGREEMENT.

3. Sam Wyly and Evan Wyly, for themselves and for each other Wyly Person and their agents and employees, hereby fully release and forever discharge French, his family members, agents and employees, now and forever, of and from any and all claims, demands, liabilities, obligations, causes of action and losses of every kind and nature, whether known or unknown, that have been or that could have been asserted on or prior to the date hereof. THE RELEASE CONTAINED IN THIS PARAGRAPH DOES NOT AFFECT FRENCH'S OBLIGATIONS SET FORTH IN THIS AGREEMENT.

4. That certain letter agreement dated January 24, 1997 between French and the Wylys is voided and shall have no further force or effect.

5. All oral agreements and understandings between French on the one hand and any Wyly Person on the other hand are voided and shall have no further force or effect.

6. French agrees that neither he nor his family members, agents, employees or any entity controlled by any of the foregoing shall at any time with any person, agency or entity take a position inconsistent with the position that the fair market value of any interest in Maverick is equal to its book value. French represents that no such person has taken any such inconsistent

position during the period November 30, 2000 to the date hereof. French acknowledges that the provisions of this Section 6 constitute a material inducement to the Wylys to enter into this Agreement.

7. French acknowledges that he is obligated not to disclose any confidential attorney-client communications between himself and any Wyly Person, as well as any attorney work product created in connection with French's work as counsel for any Wyly Person. If French receives a subpoena or an order requiring disclosure of such communications or work product, he shall promptly notify the Wylys so that they may object to such subpoena or order.

8. French represents that he has returned to each Wyly Person all of the files, including attorney work product, generated or collected in connection with any and all of French's work as counsel for such Wyly Person and that he has used his reasonable best efforts to locate all such files. French agrees to return any such files subsequently located to the relevant Wyly Person.

9. This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective family members, agents, employees, assignees and successors-in-interest.

10. The terms of this Agreement are confidential and shall not be disclosed to any other person, except for disclosure required by law or regulation. If any party to this Agreement receives a subpoena or order requiring disclosure of this Agreement or any of its terms, that party shall immediately advise the other parties to this Agreement so that they may take appropriate action to oppose the subpoena or order.

11. This Agreement contains the entire agreement of the parties regarding the resolution of their differences and supersedes any and all prior representations, agreements or understandings that may be alleged to exist.

12. Any disputes relating to this Agreement shall be litigated in Dallas County, Texas.

13. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

14. Any amendment or modification of this Agreement, including consent to any deviation from its terms, shall not be binding unless the same is in writing and signed by the parties to this Agreement.

15. French, for his part, and the Wylys, for their part, have retained separate legal counsel to advise them on this Agreement and on the claims giving rise to this Agreement. French has not relied on any advice given by the Wylys' counsel, nor have the Wylys relied on any advice given by French's counsel in connection with this Agreement or the effect of any of its terms.

16. French, for his part, and the Wylys, for their part, have consulted their respective tax advisers concerning this Agreement and the effect of its terms on their respective tax liabilities. French has not relied on the views or advice of the Wylys' tax advisers, and the Wylys have not relied on the views or advice of French's tax advisers in any respect concerning this Agreement or the effect of any of its terms on their respective tax liabilities.

17. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

Dated this 21st day of December 2000.

Michael C. French

Sam Wyly

Evan Wyly

Dated this 21 day of December 2000.

Michael C. French

Sam Wyly

Evan Wyly

Evan Wyly

Dated this ___ day of December 2000.

Michael C. French

Sam Wyly

Evan Wyly

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: White, Phil [phil.white@bankofamerica.com]
Sent: Thursday, May 27, 2004 9:53 AM
To: Strieby, Greg
Cc: Otto, Lawrence; Maloney, Timothy P
Subject: FW: Offshore accounts

This is the second item that we may need to discuss.

WHO: 11 accounts that are based in the Isle of Man -most of which contain shares of Michael's Stock (MIK). NFS initially raised the issue to BAI that it is necessary to know the beneficial owners of these accounts. Before 9-11 and the US Patriot Act this information was not necessary. The Patriot Act has not been finalized so much of it is up to legal interpretation and each country's understanding of how the law affects their residents. The offshore trusts were set up around 10 years ago by Sam and Charles Wyly as a way to protect the assets and receive favorable tax treatment. The beneficial owners are presumed to be Wyly heirs and charities.

Currently, Charles serves as chairman of Michael Stores and is very involved in civic and philanthropic organizations. He is Chairman of the Board of Communities Foundation of Texas and past Chairman of the Salvation Army. He and is wife recently gave $2.0MM to the Center for Brain Health at the University of Dallas and along with Sam and his wife gave $20MM to the Dallas Center for the Performing Arts Foundation for the construction of a multiform theatre which will be named Charles and Dee Wyly Theatre. They were named to the Texas Philanthropy Hall of Fame in 2002. Charles and Dee have been married since 1955 and have four children and seven grandchildren.

Sam has re-entered the energy business with the creation Green Mountain Energy. He also back in the hedge fund business with the creation of Ranger Capital. Sam gave $10MM to the University of Michigan for the construction of the Sam Wyly Business School. Sam is married Cheryl (wife number 3) and has six children (four with his first wife and two with his second wife) and eight grandchildren.

Sam and Charles Wyly have been clients of the PB for 10 years and Marta Engram has been their private banker for all of those years. Their relationship is:
We have lines of credit totaling about $[redacted]MM (includes a new $[redacted]MM line to Sam that we are in the process of closing) and are secured by Michaels Stores stock and Maverick Fund. Current outstanding balances on the lines is $[redacted]MM. We have over [redacted] checking accounts with average balances of over $[redacted]MM, [redacted] mortgages with [redacted].1MM in outstanding balances and an airplane loan for $[redacted]MM. Overnight investing with BAI (outside of our team) averages about $[redacted]MM. Revenues for 2003 on the banking side were $753,538 for the Charles Wyly Family and $574,609 for the Sam Wyly Family.

WHAT: The directorates of the offshore trusts do not want to disclose the beneficial owners for two reasons: they are not being asked to do it anywhere else and they need confidentiality. We feel like we know enough about the clients and could defend that they are not persons of ill repute if the information was requested.

IMPACT: We would definitely lose the offshore business to someone else which would open the door for another institution to take the loan and deposit business as well. These people are true PB clients and very well known in the community.

[White, Phil] Phil White

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 479

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FAX TRANSMITTAL

To:	**Sam, Charles, Evan, Donnie & Lisa**	From:	**Shari**
Company:		Phone:	**214 880 4050**
Phone:		Fax:	**214 880 4052**
Fax:		Date:	**August 7, 1998**
Number of pages:	**1**	Time:	**5:16 PM**

Comments:

At Evan's request I've started writing a dialogue about my responsibilities in the family office. I'm sure I will be adding to this over the next several months as I run across items that I tend to take care of, but haven't yet thought to write down.

CFO Responsibilities:

Banking Relationships & Negotiations

1) Bank: Nations Bank, 901 Main Street, 19th Floor, Dallas, Texas 75283
2) Loan Officer: Marta Engram, [redacted]
3) Loan Officer Assistant: Tony Hill, [redacted]
4) Loan Facility:

[redacted]

5) Loan Terms:
   a) Tranche A:
   Collateral – Common stock of Michael's Stores (MIKE), Sterling Software (SSW), and Sterling Commerce (SE).
   [redacted]

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 482

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b) Tranche B:
Collateral – partnership interest in Maverick Fund USA, Ltd.
I[redacted]
A[redacted]ue
C[redacted]
I[redacted]

5) Loan Negotiations: CFO with Bank Officer, review with and approve by Family members
6) Legal Review: CFO with Jones Day
7) Day to day management of Credit Facility:
   a) Sam Wyly Family – Rena Alexander
   b) Charles Wyly Family – Amy Browning
   c) Credit Facility Summary Sheet – Amber Feltman
8) Prior Banking and Credit Relationships:
   a) Citibank, Gina Volturo, [redacted]
   b) Lehman Bros., Lou Schaufle, [redacted]

Custody Related:

1) Custody – Has not been a huge issue due to the limited number of securities and legal documents held by the family members. As additional estate planning is completed and the family diversifies its portfolio, more controls will need to be implemented.
   a) Custody Book (Amy Browning is responsible) shows the location of:
      Securities
      Legal documents such as wills, trust deeds, custody agreements, power of attorney, etc.
   b) Central files are maintained for tax returns, accounts payable, bank statements, corporate filings, notes, general ledgers, financials etc.

Stock Related:

1) Custody book will show who is holding the securities. Currently, the MIKE, SSW and SE is held as collateral at Nations Bank
2) Stock Sales decisions are made by family members, CFO administers the sale of the securities
   a) Stock sales have typically be completed with brokers that the family has long term relationships with. The brokers that have been utilized in the recent past are: 1) Lou Schaufele, Lehman Bros., [redacted] 2) Tony Skvarla, Bear Stearns, [redacted] and 3) Ralph Davis, Hoak Securities , ([redacted] Brokers are listed in the order of most frequently used.
   b) The family member typically provides a range in which the CFO is to sell the stock.
   c) The CFO needs to negotiate the commission with the executing broker.
   d) CFO must determine whether a 144 Sale is required (Amy Browning handles paperwork).
      All stock sales must be cleared by the company legal counsel, contacts are: MIKE, Mark Beasley, [redacted], SSW, Don McDermett, ([redacted]SE, Al Hoover, [redacted]
   e) The most efficient tax lot must be determined and the stock sold from that lot/certificate.
   f) All stock sales must be cleared with Maverick Capital as relates to Sam Wyly and Evan Wyly
   g) The CFO needs to arrange with the staff to collect the sales proceeds and make arrangements for investment or pay down of credit facility.

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h) The CFO must make sure the appropriate filings are made with the SEC, such as 13D and Form 4. (Amy Browning handles internally with support from Jones Day for the entire family.)

3) The family members are considered "Insiders" for purposes of SEC reporting for MIKE, SSW and SE
   a) All sales will require filing under Rule 144 same day as sale, volume rules must be complied with
   b) Any purchases or sales of the above securities will require updating the 13D ASAP
   c) Any purchases or sales of the above securities will require filing a Form 4 within 10 days after the month end in which sold
   i) Form 5 will need to be filed if any of the above securities as a "Spin Off"
   j) Director and Officer questionnaires will need to be completed as requested by the companies for filings with the SEC
   k) All holdings will need to be confirmed to the company before any filings are made to the SEC,
   Contacts are: MIKE, Mark Beasley, [redacted]; SSW, Don McDermett, [redacted] SE, Al Hoover, ([redacted] make sure there are no 16B problems (6 months rule), make sure there is no inside information that should be disclosed to the public prior to selling
   l) Make sure the appropriate public relations person is notified at the companies so that they will be
   informed when discussing sales/purchases with outside analysts. Sterling Williams likes to be
   personally informed of any sales of SSW or SE.

4) Stock Options
   a) Expiration dates must be monitored and family members reminded
   b) The following are the existing stock options and expirations

[redacted]

Plaquemines, SE @ 24, shares – 2,700,000, expires 02/06
Lafourche, SE @ 24, shares – 123,333, expires 02/06
Bessie, MIKE @ 12.50, shares 9000,000, expires 08/00
Bessie, SE @ 24, shares – 200,000, expires 02/06
Bessie, MIKE @ 12.50, shares – 140,000, expires 08/00
Tyler, SE @ 24, shares – 1,450,000, expires 02/06

Tyler, MIKE @ 12.50, shares – 100,000 expires 08/00
Red Mountain, SE @ 24, shares – 61,667, expires 02/06
Castlecreek, MIKE @ 12.50, shares – 350,000, expires 08/00

c) There are selling restrictions related to exercising and selling stock options because the family members are considered insiders. All trades must be cleared with the company as noted above. Make sure there are no 16B problems. Make sure there is no inside information that needs to be disclosed to the public prior to selling.

Systems Design & Administration

The family office has gone thru two system conversions over the last 20 years. The initial system was a manual posting machine, the second system was a mag card posting machine, and the current system is Solomon. Solomon does not fit the needs of the family today. With the increase in entities, the amount of tiered entities and the need to track tax lots, this system is quickly becoming obsolete and cumbersome. My plan was to convert to Total Return. The only weakness I am aware of with Total Return is the Accounts Payable module. Because the family office has intensive AP needs this does present a challenge. I am currently researching thru Sandeep, FOX and Shepro for a solution to this problem. I do not believe that the existing staff can handle a system conversion and believe it should be out-sourced. I am hesitant to start a major system conversion without the new person being on board and agreement with my decision. In the past, system decisions have been left to the CFO with clearance from the family on the expenditure.

Financial Design & Reporting

The family has tiered entities. To get a true picture of Assets, Debts and Equity, financials are consolidated at the entity level. Then an elimination process is gone thru to remove any duplications. This is done at the individual, trust, U.S., Offshore and Global levels. Due to the estate-planning going on currently, this will need to be expanded at the individual level.

U.S. Financial Package:

1) Rena, Amy, Jana maintain general ledgers at the individual level and produce trial balances from the Solomon at month end.
2) Because the accounting system is not a "mark to market, linked" system like Total Return, the partnership trial balances need adjustment on the financial to address a lag in posting at this level. This does create a potential for human error if these items are not addressed correctly off line from the accounting system
3) Financial are prepared on a lotus spreadsheet
4) Amy, Rena post trial balance information to the spreadsheet along with any market pricing changes, Amy enters Charles family information and Rena, Sam's family
5) Amy maintains the holdings and market pricing for SSW, SE and Mike. Amy updates the coupon pricing
6) When Amy and Rena are complete, CFO reviews

Offshore Financial Package:

1) Irish Trust Company (ITC) maintains general ledgers at the corporate and trust level in Total
Return. The system is linked and updates the market values between tiered entities and has been designed to easily consolidate entities. Irish Trust Company, the offshore family office, is run by Michelle Boucher who currently direct reports to the CFO of the domestic family office

1) All data for entities can be retrieved via modem from the banks and brokerage firms for posting, there is no need for accounts payable

2) In addition to these records, the trustees also maintain separate records and these are reconciled with the records of ITC on a quarterly/annual basis.
3) All trustee fees are confirmed by ITC
4) Financials are prepared on a lotus spreadsheet and match the data on the Trial Balances exactly allowing for little potential for human error.
5) Financials are transferred to domestic family office via modem and CFO reviews

Global Financial Package:

1) CFO prepares global financial statements, produces booklet and distributes to family members
2) ITC retrieves offshore file for next month usage

Tax Preparation:

Keith Hennington is responsible for tax return preparation. Amy, Rena and Jana prepare tax folders on an entity basis and provide this to Keith for tax preparation. The folder includes, a summary sheet describing what is contained within the folder. The following data is provided:

1) Trial Balance
2) Estimated Tax Schedules for the year and copies of the checks
3) W-2's
4) 1099's – broker, dividend, interest, miscellaneous and OID
5) K-1's
6) Charitable contributions and copies of the checks
7) 401K information
8) IRS Correspondence
9) Posted Transactions (general ledger)
10) A description of any outstanding issues

Keith and Jennifer will then prepare the return, which will be retained in this folder and filed in the central files. Currently there is a need to prepare approximately 110 federal returns and state returns.

Offshore Procedures:

Trusts

1) Protectors:
   Protectors are Shari Robertson and Mike French
   Protector has the power to change trustees
   Protector can make investment *recommendations* to the trustee
   Protector is the *watchdog* for the settlor and beneficiaries
   Protector or a family member should meet with the trustees twice a year and check the books and records. It is important to keep the trustees honest. Showing up twice a year helps this happen.
2) Trust Deeds:
   Originals held by Trustees
   Copies held by Irish Trust Company
   Situs is Isle of Man
3) Trustees:
   Valmet, gross assets under management for family of $170,160,000
   Trident, gross assets under management for family of $149,948,000
   I FG, gross assets under management for family of $287,856,000
4) Settlors

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Settlors are Wyly family members and foreign citizens. At the death of a settlor certain events are triggered. Mike French should provide the family with this information. Mike also maintains copies of the passports and locations of the foreign settlors.

Family Office (Amy / Rena / Jana) time usage

	Amy	Jana	Rena
Payables Preparation	10%	2%	20%
Payables Processing	0%	10%	0%
Cash Reports	10%	10%	18%
Edinburgh Fund	0%	15%	0%
Office Management	0%	15%	0%
Family Art	2%	10%	2%
SEC Compliance	10%	0%	0%
Trial Balances	10%	10%	10%
Financial Reporting	15%	0%	10%
Payroll	0%	3%	0%
Payroll Reporting	3%	3%	0%
Preliminary Tax Prep	20%	15%	20%
Banking Liaison	10%	0%	10%
Real Estate	5%	0%	5%
Insurance	5%	5%	5%

Check writing requirements in 1997

Partnerships	
Tallulah (Sam)	39
Brush Creek (Charles)	55
Lambda (Charles)	736
Acton Partners (Sam)	7
Greek Isles (Sam)	21
S-Total	858
Trusts	
[redacted]	51
	20
	63
	56
	45
	39
	52
	19
	17
S-Total	362
Individuals	
[redacted]	1,040
	193
	52
	50
	103
	81

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[redacted]	1,206
	112
	95
	56
	157
S-Total	3,145
Total	4,365

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[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michelle L. Boucher
[redacted]
Grand Cayman, Cayman Islands
(345) [redacted]
(345) [redacted]

November 5th, 2004

Mr. Timothy P. Maloney
Bank of America
Mail Code: IL 1-231-03-50
231 South LaSalle Street
Chicago, IL 60697

via facsimile 312-[redacted]
cc: Lou Schaufele via facsimile 214-[redacted]

Dear Mr. Maloney,

I confirm receipt of your letter dated October 29th, 2004 regarding the following accounts:

P86-017361 Altonco International Limited
P86-017345 Brown Dog Limited
P86-017353 Two Oceans Limited

As you are aware, my attorney has had an opportunity to speak with yourself and Bank of America's legal counsel this week.

By way of background, and despite the fact that you have not asked, I am a Chartered Accountant, and employed as the Chief Financial Officer and Money Laundering Reporting Officer (MLRO) for the Irish Trust Company (Cayman) Limited. We provide Fund Administration services to the offshore funds of one of the 5th largest Private Hedge Fund Complexes in the United States. In addition to the accounting and other statutory services we provide, we are responsible to ensure that the due diligence performed on the funds' investors comply with the Cayman Proceeds of Criminal Conduct Law and Anti Money Laundering Legislation, and are the front line source for the investment manager (who is registered with the SEC) to obtain due diligence in compliance with the Patriot Act.

As you are aware, Cayman is the 5th largest financial centre in the world, focusing its business on mutual fund administration and financing structures for international financial institutions. This legislation is premier legislation in the foreign banking and investment community and far surpasses any legislation the United States has undertaken in adopting the Patriot Act. In my capacity as MLRO, we have worked with over 700 investors (US domestic tax exempt entities and foreign) comprising an asset base of over $5Billion.

Given my vast experience in these matters I would like to say that the manner in which your institution has dealt with the due diligence collection process on the above accounts appalls and enrages me. I find it wholly unprofessional and disrespectful. There has clearly

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been no attempt to actually get to 'know your customer' or to work with your customer to determine what reasonable outcome we can achieve together.

With regard to the specific accounts referred to above, the first instance in which I was aware that you desired additional information regarding the beneficial owners was upon receipt of your letter dated October 22nd. I was traveling the week of October 25th, and responded at my earliest convenience on October 29th. The information and clarifications asked for in my letter of October 29th are wholly reasonable in context of your request. I would be negligent to not have asked them, and am certain that you, or any reasonable person, would do the same. I am offended by your effective lack of response and consideration as demonstrated in your reply letter of October 29th, and even further shocked by your attorney's position of 'we just want it and are not willing to discuss the matter further' which was communicated to me by way of my attorney yesterday.

Clearly your institution does not care about my business, for that I am sorry. I am 37 years old, have built the Irish Trust business from the ground during the past 9 years and in 1998 co-founded and served as the CFO for Scottish Annuity & Life Holdings, Ltd (now SCT Scottish Re) which launched its IPO in November 1998. In the mid '90's my husband developed software used by hedge funds to manage their share registers, calculate performance fees including hurdle rates, equalization mechanisms and series of share approaches. He undertook a joint venture with a large NY investment manager and 2 years ago sold the business to State Street bank. He continues to work with them under contract. I would think that two such young entrepreneurial individuals would be prime candidates for a relationship with Bank of America. I am disappointed that you do not take this same view and in fact that no one in your compliance area bothered to ask.

Despite the above, I personally have had a 10 year relationship with Mr. Lou Schaufele and enjoy working with him and his team immensely. Michele, Shawn, Misty and Nora are truly amazing and dedicated. If not for my relationship with them and the exceptional client service I receive from their group, I would terminate the relationship with Bank of America on the spot. I, however, do care about knowing who I do business with and know that I am lucky to be able to work with them. As such, I am disclosing to you the fact that the aforementioned three accounts are owned 50/50 by myself (Canadian passport # [redacted] DOB: [redacted] and my husband Jeff Boucher (Canadian passport #[redacted], DOB: [redacted]. Our address is as above in the Cayman Islands. We have resided there for nearly 13 years, my husband has Caymanian Status and I am a Cayman Permanent Resident.

I trust this satisfies your need, if you require any further information you are aware of how to reach me.

Regards,

Michelle L. Boucher

AUNDYR TRUST COMPANY LIMITED

(Incorporated in the Isle of Man No. 8035)

Directors:

T.J. Wacker (Irish)
R.E. Befroy
N.J. Carter
D.A. Harris
A.R. Hulse

Registered Office:

International House,
Castle Hill
Victoria Road
Douglas
Isle of Man

Tel: (0624) 626931
Fax: (0624) 624469

FAX TRANSMISSION HEADER NOTE

TO: **Cindy Murdoch**
Lehman Brothers

FAX NO: **001.214.720.9464**

FROM: **Tony Hulse**

DATE: **12 December, 1995**

REF: **w\arh\eastlehm.12f**

DISB INST **Client Code**

PAGES:(including this one) 5

TIME SENT:

EAST CARROLL LIMITED (L for Lorna Hayes)

I refer to our telephone conversation of yesterday. On this occasion, please use the funds you have on deposit to meet the interest payment due on the 13th, and advise me of the amount of funds transferred.

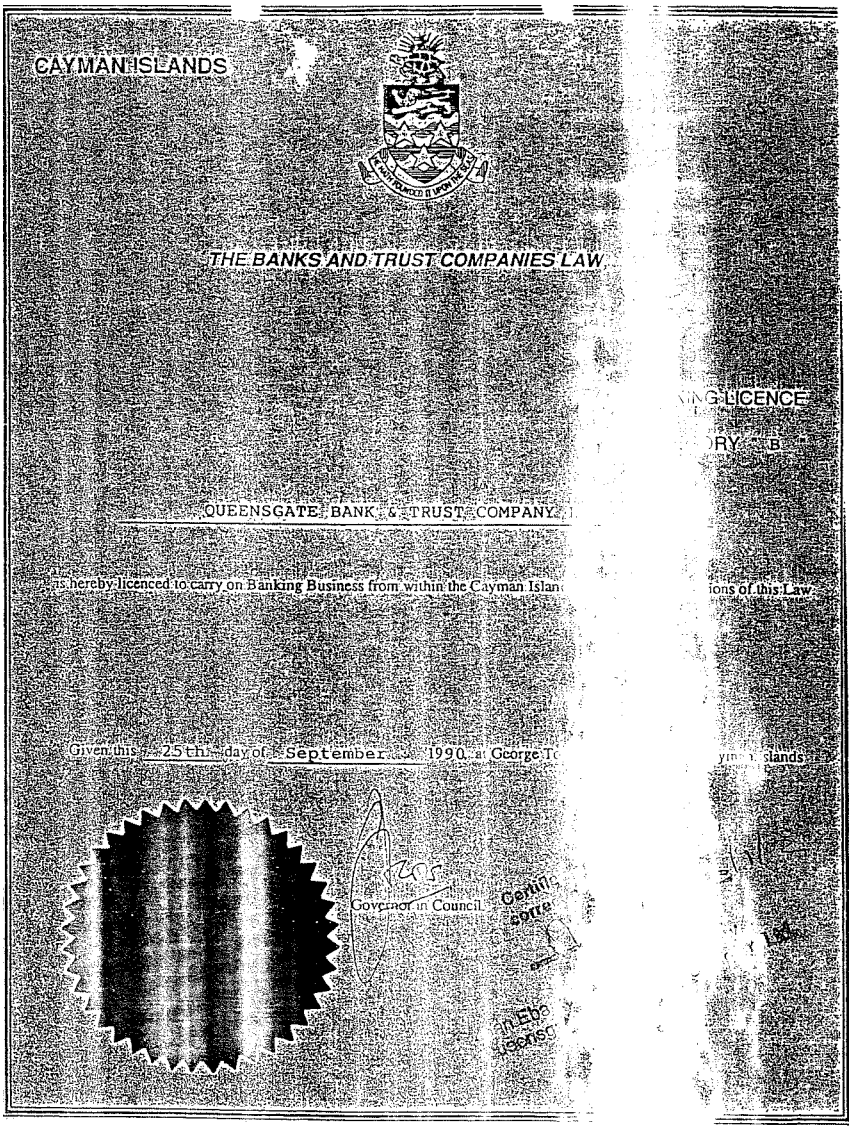
You asked for confirmation that the management of the companies has changed and I have pleasure in enclosing a copy of the Deed of Retirement and Appointment by which Aundyr Trust Company Limited has been appointed successor trustee for the trust holding the shares of East Carroll Limited. Aundyr Trust Company Limited is a wholly owned subsidiary of IFG International Limited.

Please confirm that everything is now in order and that you can proceed to make the interest payment now due.

With kind regards

Yours sincerely,

Tony Hulse
Director



CAYMAN ISLANDS

THE BANKS AND TRUST COMPANIES LAW

QUEENSGATE BANK & TRUST COMPANY

is hereby licenced to carry on Banking Business from within the Cayman Islan

Given this 25th day of September 1990 at George T

Governor in Council

CONFIDENTIAL/B S
CUSTOMER CONF

IDENTIARY/
MATION
W00 562

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 494

[redacted] = Redacted by the Permanent Subcommittee on Investigations

906757

WEBSTER BANK

Business Account Application

1. PLEASE TELL US ABOUT YOUR BUSINESS

Company Name "Depositor"	Queensgate Bank & Trust Company Ltd.
Street Address	5th Floor, Barbour Place, South Church Street, George Town
City / State / Zip	Grand Cayman, Cayman Islands
Mailing Address (if different)	PO Box 30464 SMB, Grand Cayman, Cayman Islands
City / State / Zip	[illegible]
Telephone Number	345-945-2187
Owner/President/Principal Party (specify title)	SSN#
Contact Name (person handling day to day banking)	Karla Bodden/ Jane Fleming
Company Taxpayer Identification Number	n/a QI - EIN # [redacted]

☐ Sole Proprietorship — Partnership: ☐ Limited partnership — ☐ Town/City/Municipality

Limited liability company: ☐ Member-managed LLC ☐ Manager-managed LLC — ☐ General partnership — ☐ Limited liability partnership — ☐ Unincorporated organization or association

☑ Corporation — ☐ Other (specify) Licenced Bank & Trust Company

PURPOSE

By executing this Master Resolution Depositor authorizes the deposit account services described herein, whether now available or offered in the future by Webster Bank ("Bank"). Other services not included herein, for example, Wire Transfer Service, may be governed by separate resolution and agreement.

GENERAL RESOLUTIONS

RESOLVED: That the Bank is hereby designated as a depository of funds of the Depositor with the authority to accept for deposit all checks, drafts, notes, bills of exchange, acceptances or other orders for the payment of money in whatever manner endorsed by any authorized signer; and, without limiting the generality of the foregoing, which endorsement may be in writing, by stamp, or otherwise and which endorsement may be effectively made with or without designation or signature of the person so endorsing. All funds in the Depositor's accounts shall be subject to the bylaws, rules, account agreements, regulations, policies and procedures of the Bank governing deposits now in effect or hereafter adopted by the Bank; and the Bank shall not be liable in connection with the collection of such items which are handled by the Bank without negligence and the Bank shall not be liable for the acts of its agents, subagents or for any other casualty.

RESOLVED: That the undersigned are hereby authorized and directed to open such deposit accounts and execute on behalf of Depositor any signature cards, agreements or other documents necessary to obtain deposit account services with the Bank and that any one of such authorized signers is authorized to endorse on behalf of the Depositor all checks, drafts, notes, bills of exchange, acceptances or other orders for the payment of money deposited to the credit of such accounts.

RESOLVED: That all checks, drafts and other orders for the payment of money drawn against such accounts shall be signed by or initiated by any one of the authorized signers listed below and that the Bank is hereby directed to accept and pay or otherwise honor without further inquiry any check, draft or other order for the payment of money against such accounts for whatever purpose and to whomsoever payable when made, signed, accepted or endorsed by any one of the named persons, or persons from time to time holding the following offices of the Depositor as indicated as authorized signatures even if such checks or other orders for payment of money create or increase an overdraft of such account, although the payment or nonpayment of such overdraft is to be at the option of the Bank.

RESOLVED: That the Bank may pay all checks, notes and orders bearing or purporting to bear the facsimile signature of a person authorized to sign the same when such signature resembles any specimen certified to the Bank in accordance with these resolutions, regardless of by whom or by what means the actual or purported facsimile signature thereon may have been affixed thereto. That the Depositor assumes full responsibility of the use of actual or printed facsimile signature(s) on checks, drafts or orders of the Depositor drawn on the Bank and for payment made by the Bank in reliance thereof which payments may be charged to the account of the Depositor.

RESOLVED: That the Bank may rely on this document and on any certificate by an authorized representative of the Depositor as to the names, offices and signatures (including facsimile signatures) of the present officers of the Depositor, and in like manner the names, offices, and signatures of any person(s) elected to fill any such offices in the future of the Depositor, and will be notified of any change in these resolutions or any change which affects these resolutions or the validity thereof. Until the Bank has actually received written notice to the contrary and has had a reasonable period of time to act on such notice the Bank is authorized to act pursuant to these resolutions and the persons most recently certified shall, as to the Bank, be conclusively presumed to be the officers to act under the authority herein conferred.

RESOLVED: The Depositor acknowledges that the Bank is required by federal regulations to limit the number of preauthorized, automatic, telephone and computerized transfers from the Business Money Market Account or other business savings accounts to other accounts of the Depositor or to third parties, including automatic transfers for the purpose of overdraft protection. The total limit per monthly statement cycle is six transfers, no more than three of which may be by check or other third party payments. Depositor will cooperate in instructing its authorized signers to avoid violating the aforesaid regulation.

RESOLVED: That the Depositor shall, and by adoption of this Resolution does, agree to indemnify the Bank against any claim resulting from payments made pursuant to, or actions taken in good faith in reliance upon, any authorization contained in these Resolutions, including any actions taken after a change in the ownership, membership, management or legal structure of the Depositor but before the Bank has received actual notice of revocation in writing of such change and has had sufficient time to act upon such notice.

SPECIFIC SERVICES RESOLUTIONS

RESOLVED: Depositor acknowledges that by opening deposit account(s) with the Bank it is automatically entitled to utilize telebanking services and that the Bank is authorized to recognize the oral direction of any one of the authorized signers through the Bank's 24-hour telephone banking system; and, further, such person is authorized to select on behalf of the Depositor a personal identification Number ("PIN") to use to transfer money between the designated business accounts of the Depositor. Further resolved that only one PIN will be selected for use of First Call, and that the Bank may rely on the PIN selected as the security procedure to verify the authenticity of any transfer. That the Bank may act on said oral direction of a person authorized without inquiry and without regard to the application of the proceeds thereof.

White copy – send to Marketing Department Canary copy – retain in Branch Customer File

FN-4121 11/99

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 495

\L/BUSINESS PROPRIETARY/
ONFIDENTIAL INFORMATION
W000001

[redacted] = Redacted by the Permanent Subcommittee on Investigations

WEBSTER BANK

Business Account Application

PLEASE TELL US ABOUT YOUR BUSINESS

Company Name "Depositor"	Queensgate Bank & Trust Company Ltd.
Street Address	5th Floor, Harbour Place, South Church Street, George Town,
City / State / Zip	Grand Cayman, Cayman Islands
Mailing Address (if different)	P.O. Box 30464 SMB, Grand Cayman, Cayman Islands
City / State / Zip	
Telephone Number	345-945-2187 Fax Number 345-945-2197 Email Address
Account Number	
Owner/President/Principal Party (specify title)	SSN#
Contact Name (person handling day to day banking)	Karla Bodden / Jane Fleming
Company Taxpayer Identification Number	QI - EIN # [redacted] T.I.N. n/a

Business Type:

☐ Sole Proprietor ☐ Partnership ☐ Corporation
☐ Limited Liability Corporation ☐ Joint Venture ☐ Association/Cooperative
☐ Non Profit ☐ Trust ☒ Other: licenced Bank & Trust Company

1. Primary Business Industry (Check One)

☐ Agriculture ☐ Manufacturing
☐ Automotive ☐ Personal Services
☒ Business Services ☐ Real Estate Holding
☐ Communications ☐ Religious Organization
☐ Construction ☐ Restaurant
☐ Education Services ☐ Retailing
☒ Finance ☐ Transportation
☐ Health Services ☐ Wholesale Trades
☐ Insurance ☐ Other

2. What are your business' approximate annual ~~sales~~ turnover

☐ $1 - $499,000 ☐ $5,000,000 - $9,999,999
☐ $500,000 - $999,999 ☐ $10,000,000 - $19,999,999
☐ $1,000,000 - $2,499,999 ☐ $20,000,000 - $49,999,999
☒ $2,500,000 - $4,999,999 ☐ $50,000,000 - $99,999,999

3. How long has your company been in business?

☐ Less than 1 year ☐ 5 - 9 years ☐ 20 - 49 years
☐ 1 - 4 years ☒ 10 - 19 years ☐ 50+ years

4. Number of full-time employees

☐ 0 ☒ 10 - 24 ☐ 50 - 99 ☐ 250 - 499 ☐ 1,000+
☐ 1 - 9 ☐ 25 - 49 ☐ 100 - 249 ☐ 500 - 999

5. For which of these Webster business services do you need more information?

☐ Business Debit Card ☐ Payroll Services
☐ Money Market Savings ☐ Web Banking
☐ Business Credit Card ☐ Night Depository
☐ Merchant Services ☐ Coin/Currency
☐ Cash Management ☐ Other
☐ Business Loan

6. What do you want most from your bank?

☐ Convenient Office Locations ☐ Credit availability
☐ Competitive Rates on Loans and Deposits ☐ Financial Advice
☒ Dedicated Relationship Manager ☐ Other

7. What do you foresee as your greatest financial challenge during the coming year? (Please check all that apply.)

☐ Business Growth/Expansion ☐ Import/Export Services
☐ 401k Retirement Services ☐ Investment Needs
☐ Credit Needs ☐ Succession Planning
☐ Finding/Retaining Key Employees ☐ Other
☐ Payroll Services
☐ Cash Management

FOR INTERNAL USE ONLY:

[redacted]

FN-41211 8/01 White copy – send to Product Management Canary copy – retain in Branch Customer File

CONFIDENTIAL/BUSINESS PROPRIETARY/
CUSTOMER CONFIDENTIAL INFORMATION
W000002

ADDITIONAL SERVICES RESOLUTIONS ***(SUBJECT TO APPLICATION AND APPROVAL)***

a) RESOLVED: That unless otherwise limited in subpart (b), the authorized signer(s) designated below, each of whom may act severally, is/are hereby authorized on behalf of the Depositor ***to apply for and receive*** the following services:

- Business ATM Money Card to access deposit accounts of the Depositor at Automated Teller Machines
- Business Check Card to access deposit accounts of the Depositor and to debit from the business checking account certain business purchases
- Fax Link Service to receive "basic" information about the deposit accounts of the Depositor each business day via fax to include: Account number/Title, Available balances, Ledger balance, pending availability (float), Total additions (credits) and Total subtractions (debits).
- Any future deposit account services that the Bank may offer such as Computerized Banking, Overdraft Protection, Credit Cards, Purchase Cards, and Electronic Data Interchange.

b) Limits on Resolution: The following list indicates exclusions from the foregoing additional services, precluding the authority for application and/or participation:

Business ATM Money Card, Business Check Card

FURTHER RESOLVED: That on behalf of the Depositor, by entering into the application process for an additional service, the undersigned Representative agrees to the terms and conditions contained in the Electronic Banking Agreement, Fax Link Agreement, the appropriate PC Banking Agreement and /or any other appropriate Service Agreements entered into at that time.

RESOLUTIONS AUTHORIZING SIGNERS

The undersigned Representative is/are (the singular shall include the plural):

☐ the Depositor (Sole Proprietor)
☐ a/the (Specify Title) Directors of the Depositor (Corporation/Municipality/Other)
All of the ☐ general partners (Partnership) ☐ managers (LLC) ☐ members of the Depositor (LLC)

ADOPTION OF RESOLUTIONS: Depositor, acting herein by the undersigned Representative does hereby adopt the Resolutions set forth above, and certify that such resolutions are in accordance and conformity with the Depositor's governing documents, all agreements with third parties, and all laws applicable to the Depositor. The undersigned Representative is duly authorized to execute the within Master Resolution on behalf of Depositor and to complete all information in said Master Resolution.

The undersigned Representative certifies on behalf of the Depositor that the following list of individuals are duly elected or appointed to hold office and each is empowered to act alone for and on behalf of the Depositor in accordance with the authority prescribed in the foregoing resolutions including acting as authorized signers on any accounts of Depositor:

Name	Title	Signature
Please see attached list of authorised signatories		
for Queensgate Bank & Trust Company Ltd., together with ED documents		
for all signatories		

The Bank may rely on the accuracy of the foregoing certification until the Bank has actually received written notice of a change and has had a reasonable period of time to act on such notice. If the Depositor is a Member-Managed Limited Liability Company or Partnership, Depositor certifies that the foregoing are all of its members.

The undersigned Representative agree(s) to notify the Bank promptly and in writing of the happening of any change in the identity of the officers, members, managers or partners of the Depositor or in the ownership of the Depositor or in the Depositor's legal structure and of the happening of any dissolution or bankruptcy of the Depositor or of any partner, manager, member or owner of the Depositor.

CERTIFICATION OF RESOLUTIONS: The undersigned is authorized by the Depositor to certify, and hereby does certify, that the resolutions set forth above were properly adopted on 26/9/02, 199___ by the Depositor, in accordance and conformity with the Depositor's governing documents, all agreements with third parties, and all laws applicable to the Depositor, have not been modified or rescinded, and are in full force and effect and binding on the Depositor.

IN WITNESS WHEREOF, I/We have signed this certificate as duly authorized Representative(s) of Depositor. Depositor is validly existing and in good standing under applicable law, and that the name of Depositor identified herein is accurate and complete at this date, the 26th day of September, 2002, 19___

Signature	Title	Signature	Title
J.D. Hunter, Director		Karla Bodden, Director	26 Sept 02
Print Name	Date	Print Name	Date

NOTE: IF ONLY ONE PERSON SIGNS THE ABOVE CERTIFICATION AND THAT PERSON IS AUTHORIZED TO ACT ALONE BY ONLY ONE OF THE ABOVE RESOLUTIONS, THIS CERTIFICATE MUST BE CONFIRMED BY ANOTHER AUTHORIZED REPRESENTATIVE OF THE DEPOSITOR. (NOT APPLICABLE IF THE DEPOSITOR IS A SOLE PROPRIETORSHIP AND THE SOLE PROPRIETOR SIGNS THE DOCUMENT.)

If the Depositor is a Corporation or Municipality, affix seal here:

FOR INTERNAL USE ONLY

[redacted]

APPENDIX A TO SUBPART I OF PART 103 – CERTIFICATION REGARDING CORRESPONDENT ACCOUNTS FOR FOREIGN BANKS

[OMB Control Number 1505-0184]

The information contained in this Certification is sought pursuant to Sections 5318(j) and 5318(k) of Title 31 of the United States Code, as added by sections 313 and 319(b) of the USA PATRIOT Act of 2001 (Public Law 107-56).

This Certification should be completed by any foreign bank that maintains a correspondent account with any U.S. bank or U.S. broker-dealer in securities (a covered financial institution as defined in 31 C.F.R. 103.175(f)). An entity that is not a foreign bank is not required to complete this Certification.

A foreign bank is a bank organized under foreign law and located outside of the United States (see definition at 31 C.F.R. 103.11(o)). A bank includes offices, branches, and agencies of commercial banks or trust companies, private banks, national banks, thrift institutions, credit unions, and other organizations chartered under banking laws and supervised by banking supervisors of any state (see definition at 31 C.F.R. 103.11(c)).*

A Correspondent Account for a foreign bank is any account to receive deposits from, make payments or other disbursements on behalf of a foreign bank, or handle other financial transactions related to the foreign bank.

Special instruction for foreign branches of U.S. banks: A branch or office of a U.S. bank outside the United States is a foreign bank. Such a branch or office is not required to complete this Certification with respect to Correspondent Accounts with U.S. branches and offices of the U.S. bank.

Special instruction for covering multiple branches on a single Certification: A foreign bank may complete one Certification for its branches and offices outside the United States. The Certification must list all of the branches and offices that are covered and must include the information required in Part C for each branch or office that maintains a Correspondent Account with a Covered Financial Institution. Use attachment sheets as necessary.

A. The undersigned financial institution, Queensgate Bank + Trust Company Ltd ("Foreign Bank") hereby certifies as follows:

* A "foreign bank" does not include any foreign central bank or monetary authority that functions as a central bank, or any international financial institution or regional development bank formed by treaty or international agreement.

B. **Correspondent Accounts Covered by this Certification:** Check one box.

☑ This Certification applies to all accounts established for Foreign Bank by Co Financial Institutions.

☐ This Certification applies to Correspondent Accounts established by _____ (name of Covered Financial Institution(s)) for Foreign Bank.

C. **Physical Presence/Regulated Affiliate Status:** Check one box and complete the

☑ Foreign Bank maintains a physical presence in any country. That means:
- Foreign Bank has a place of business at the following street address: 5th fl. Harbour Place, 103 S Church St. George Town, Grand Cayman Foreign Bank employs one or more individuals on a full-time basis and maintains operating records related to its banking activities.
- The above address is in the Cayman Islands (insert country), Foreign Bank is authorized to conduct banking activities.
- Foreign Bank is subject to inspection by Cayman Islands Monetary Authority (in Banking Authority), the banking authority that licensed Foreign Bank conduct banking activities.

☐ Foreign Bank does not have a physical presence in any country, but Foreign is a regulated affiliate. That means:
- Foreign Bank is an affiliate of a depository institution, credit union, or foreign bank that maintains a physical presence at the following street a _____, where it employs one or m persons on a full-time basis and maintains operating records related to i banking activities.
- The above address is in _____ (insert co), where the depository institution, credit union, or foreign bank is autho conduct banking activities.
- Foreign Bank is subject to supervision by _____, (ins Banking Authority), the same banking authority that regulates the depo institution, credit union, or foreign bank.

☐ Foreign Bank does **not** have a physical presence in a country and is no regulated affiliate.

D. **Indirect Use of Correspondent Accounts:** Check box to certify.

☑ No Correspondent Account maintained by a Covered Financial Institu be used to indirectly provide banking services to certain foreign banks. Foreign Bank hereby certifies that it does not use any Correspondent A nt with a Covered Financial Institution to indirectly provide banking servic

any foreign bank that does not maintain a physical presence in any co
that is not a regulated affiliate.

E. **Ownership Information:** Check box 1 or 2 below, **if applicable.**

☐ 1. **Form FR Y-7 is on file.** Foreign Bank has filed with the Federal Rese Board a current Form FR Y-7 and has disclosed its ownership informa n Item 4 of Form FR Y-7.

☐ 2. **Foreign Bank's shares are publicly traded.** Publicly traded means shares are traded on an exchange or an organized over-the-counter ma is regulated by a foreign securities authority as defined in section 3(a)(the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(50)).

If neither box 1 or 2 of Part E is checked, complete item 3 below, **if applicable.**

☑ 3. Foreign Bank has no owner(s) except as set forth below. For purpose is Certification, owner means any person who, directly or indirectly, (a) controls, or has power to vote 25 percent or more of any class of votin securities or other voting interests of Foreign Bank; or (b) controls in manner the election of a majority of the directors (or individuals exer similar functions) of Foreign Bank. For purposes of this Certificati (i) person means any individual, bank, corporation, partnership, limite liability company or any other legal entity; (ii) voting securities or oth voting interests means securities or other interests that entitle the hold vote for or select directors (or individuals exercising similar functions); (iii) members of the same family* shall be considered one person.

Name	Address
Queensgate Group Ltd	PO Box 30464SMB, Grand C
Andreas Ugland & Sons Ltd.	PO Box 31194SMB, Grand C
Andreas Ugland	67 Ironshore Dr, Vista Dr
Knut Axel Ugland	Beddalveien 318, Lund Grimstad, Norway

man

F. **Process Agent:** complete the following.

The following individual or entity: Holland + Knight LLP
is a resident of the United States at the following street address:
701 Brickell Ave, Ste 3000, Miami, FL, USA 33131
is authorized to accept service of legal process on behalf of Foreign Bank from

* The same family means parents, spouses, children, siblings, uncles, aunts, grandparents, grandchildr cousins, stepchildren, stepsiblings, parents-in-law and spouses of any of the foregoing. In determining the c interests of the same family, any voting interest of any family member shall be taken into account.

Secretary of the Treasury or the Attorney General of the United States pursuant to section 5318(k) of title 31, United States Code.

G. **General**

Foreign Bank hereby agrees to notify in writing each Covered Financial Institution at which it maintains any Correspondent Account of any change in facts or circumstances reported in this Certification. Notification shall be given within 30 calendar days of such change.

Foreign Bank understands that each Covered Financial Institution at which it maintains a Correspondent Account may provide a copy of this Certification to the Secretary of the Treasury and the Attorney General of the United States. Foreign Bank further understands that the statements contained in this Certification may be transmitted to one or more departments or agencies of the United States of America for the purpose of fulfilling such departments' and agencies' governmental functions.

We, Tracey McGregor + Blair Gould (name of signatory), certify that I have read and understand this Certification, that the statements made in this Certification are complete and correct, and that I am authorized to execute this Certification on behalf of Foreign Bank.

Queensgate Bank + Trust Company Ltd.
[Name of Foreign Bank]

[Signature]

Blair Gould / Tracey McGregor
[Printed Name]

Director / General Counsel
[Title]

Executed on this 3rd day of February, 2005.

Received and reviewed by:

Name: _____
Title: _____
For: _____
[Name of Covered Financial Institution]

Date: _____

APPENDIX B TO SUBPART I OF PART 103 – RECERTIFICATION REGARDING CORRESPONDENT ACCOUNTS FOR BANKS

[OMB CONTROL NUMBER 1505-0184]

The information contained in this Certification is sought pursuant to Sectic and 5318(k) of Title 31 of the United States Code, as added by sections 313 and 3 USA PATRIOT Act of 2001 (Public Law 107-56).

The undersigned financial institution, Queensgate Bank + Trust Comp ("Foreign Bank"), hereby certifies as follows:

1. Foreign Bank has executed a Certification dated April 29, 2004 (the "Cert relating to one or more Correspondent Accounts maintained by one or more Covered Institutions for Foreign Bank. Terms defined in the Certification have the same me Recertification.

2. The information contained in the Certification:

☐ remains true and correct.

☑ is revised by the information provided with this Recertification (attac describing the information that is no longer correct and stating the cor information).

Foreign Bank understands that each Covered Financial Institution at which it main Correspondent Account may provide a copy of this Recertification to the Secretary of Treasury and the Attorney General of the United States. Foreign Bank further unde the statements contained in this Recertification may be transmitted to one or more de agencies of the United States of America for the purpose of fulfilling such departmen agencies' governmental functions.

CONFIDENTIAL/BUSINES IETARY/
CUSTOMER CONFIDENTI/ MATION

We, Blair Gould + Tracey McKay (name of signatory), certify that ~~I~~ we have read and understand this Recertification, that the statements made in this Recertification are complete and correct, and that ~~I am~~ we are authorized to execute this Recertification on behalf of Foreign Bank.

Queensgate Bank + Trust Company Ltd.
[Name of Foreign Bank]

[Signature]

Director / General Counsel
[Title]

Executed on this 3rd day of February, 2005.

Received and reviewed by:

Name: _____
Title: _____
For: _____
[Name of Covered Financial Institution]

Date: _____

Dated: September 18, 2002.
James Sloan,
Director.
[FR Doc. 02–24142 Filed 9–25–02; 8:45 am]
BILLING CODE 4810–02–C

DEPARTMENT OF THE TREASURY

31 CFR Part 103

RIN 1506–AA27

Financial Crimes Enforcement Network; Special Information Sharing Procedures To Deter Money Laundering and Terrorist Activity

AGENCY: Financial Crimes Enforcement Network (FinCEN), Treasury.

ACTION: Final rule.

SUMMARY: FinCEN is issuing this final rule to encourage information sharing among financial institutions and Federal government law enforcement agencies for the purpose of identifying, preventing, and deterring money laundering and terrorist activity.

DATES: This final rule is effective September 26, 2002.

FOR FURTHER INFORMATION CONTACT: Office of Chief Counsel, FinCEN, (703) 905–3590; Office of the Assistant General Counsel (Enforcement), (202) 622–1927; or the Office of the Assistant General Counsel (Banking and Finance), (202) 622–0480 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

I. Statutory Provisions

On October 26, 2001, the President signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, Public Law 107–56 (the Act). Of the Act's many goals, the facilitation of information sharing among governmental entities and financial institutions, for the purpose of combating terrorism and money laundering, is of paramount importance. Section 314 of the Act furthers this goal by providing for the sharing of information between the government and financial institutions, and among financial institutions themselves. As with many other provisions of the Act, Congress has charged the Department of the Treasury ("Treasury") with developing regulations to implement information-sharing

Subsection 314(a) provides in part that:

[t]he Secretary shall ... to encourage further cooperation among financial institutions, their regulatory authorities, and law enforcement authorities, with the specific purpose of encouraging regulatory authorities to share with financial institutions information regarding individuals, entities, and organizations engaged in or reasonably suspected based on

[1] Section 314 of the Act provides that the Statutory Note to 31 U.S.C. 5311 is one of a number of provisions in the body of law commonly known as the Bank Secrecy Act (BSA). The BSA, as amended, at 12 U.S.C. 1829b, 1951–1959, and 31 U.S.C. 5311–5314 and 5316–5332, authorizes the Secretary of the Treasury, inter alia, to issue regulations implementing the BSA. The authority of the Secretary to administer the BSA and its implementing regulations has been delegated to the Director of FinCEN.

FACSIMILE COVER PAGE

TO:	Ronnie Buchanan	From:	Michelle Boucher
COMPANY:	Lorne House	Fax:	809-945-2197
FAX:	011-44-1-624-822-952	Tel:	809-945-2187
DATE:	December 12th, 1995		

We are transmitting __4__ page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Ronnie,

Please find attached a Directors Resolution and Bank Mandate Form requiring your signature. This will allow us to open a bank account for Scottish Holdings that could be operated from Cayman. (The only activity it will likely have is for payment of legal bills & miscellaneous expenses.) Messrs. Flanagan & Hunter are Directors of Scottish Annuity as well as Maverick Fund Ltd and Queensgate Bank & Trust. We have set the signatories up this way for ease of processing.

Please return the attached by fax and if you have any questions, please call.

Kind regards,

Michelle Boucher
Manager, Finance & Administration

CPI 0014

LEHMAN BROTHERS

Corporation Account

Authorizing Trading in Securities and Commodities and Permitting Margin Transactions and Short Sales

Account Number: Branch 83 | Account 72796 | 1 | 1 | 19 22

Edinburgh Fund
c/o Irish TR Co.

Please read carefully, sign and return

To Lehman Brothers Inc.

The undersigned Corporation, by

Karla Bodden its President, Director

pursuant to the resolution, a copy of which, certified by the Secretary, is annexed hereto, hereby authorizes you to open an account in the name of said Corporation; and represents that no one other than the Corporation has any interest in such account. The undersigned also encloses herewith your Client's Agreement with consent to loan of securities duly executed on behalf of the Corporation and acknowledges receipt of a copy of the Client Agreement. This authorization shall continue in force until written notice of its revocation is delivered to you at the office servicing this account.

Edinburgh Fund, LDC.

Dated July 23 / 98

City and State George Town Cayman Islands

Corporation

By _____ President Director

[SEAL]

I, Michelle Bascle being the

Secretary of Edinburgh Fund Ltd

hereby certify that the annexed resolutions were duly adopted at a meeting of the Board of Directors of said Corporation, duly held on the 23rd day of July, at which a quorum of said Board of Directors was present and acting throughout and that no action has been taken to rescind or amend said resolutions and that the same are now in full force and effect.

I further certify that each of the following has been duly elected and is now legally holding the office set opposite his name:

Dennis Hunter Director, President

Karla Bodden Director, Vice President

_____ Treasurer

Michelle Bascle Secretary

I further certify that the said Corporation is duly organized and existing and has the power to take the action called for by the resolutions annexed hereto.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the seal of said Corporation this 23 day of July, 19 98

Michelle Bascle Secretary

LBF2105A

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 499

From: Kellen, Cindy L. [cindy.l.kellen@bofasecurities.com]
Sent: Wednesday, March 20, 2002 4:42 PM
To: Wu, James P; Ching, Allen
Subject: Cayman Island Accounts

James/Allen,

Can you please conduct a background check on the following foreign entities and individuals?

1) Irish Trust Co.
PO Box 10658 APO
5th Fl Harbour Place
Grand Cayman, Cayman Islands

Michelle Boucher, CFO
J. Dennis Hunter, Director
Karla J. Bodden, Director

2) Redacted By Permanent Subcommittee on Investigations

3) Redacted By Permanent Subcommittee on Investigations

4) Redacted By Permanent Subcommittee on Investigations

Thanks

Cindy L. Kellen
Vice President
Sales Supervisor

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 499

BA 05

11.9 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By:_____
Name:
Title:

MAVERICK USA, CORP.

By:_____
Name:
Title:

EB&M HOLDINGS, LTD.

By:_____
Name: J. Dennis Hunter
Title: Director

FROM : Redacted by the Permanent Subcommittee on Investigations PHONE NO. : Jul. 24 1996 10:10AM P1

FACSIMILE COVER PAGE

TO:	Amber Gibson	From:	Michelle Boucher
FAX:	1-214-Redacted by the Permanent Subcommittee on Investigations	Fax:	809-949-2519
DATE:	July 24th, 1996	Tel:	809-949-0658

We are transmitting ____ page(s). Please contact the undersigned if there is a problem with the transmission.

Amber,

I have the following set up for Thursday & Friday:

Thursday 12:30
Lunch with Coutts & Co - John Lung and Fraser Horne from their marketing investment management departments.

Thursday 7:00pm
Dinner - Edouardo's Restaurant
- Evan and his family have been included in the reservations, we are taking out Dennis Hunter and Karla Bodden of Queensgate Bank & Trust (our offshore directors and landlords!)

Friday 11:30
Meeting - Henry Smith of Maples & Calder - to touch base on documentation re: Income Fund closing

Friday 12:30
Lunch - Henry Smith of Maples & Calder, and Dan Scott of Ernst & Young

Please let me know if there is anything else that either Evan or Shari would like me to set up, and if Evan will attend either of the lunches or Friday meeting.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 501

Summary -- Irish Trust

Irish Trust Ltd ("ITL") is a Cayman Island corporation that has been in existence since December, 1995 and is wholly owned by Irish Holding Ltd ("IHL"). It currently has two directors, Dennis Hunter and Karla Bodden. Michelle Boucher is Secretary and Manager, Finance and Administration.

ITL has a restricted trust license. ITL has a license in the Cayman Islands to provide the following services:

a) Administrative services to the shareholders of IHL. The trust company is not licensed to provide these services to non-affiliates. It would be unlikely that Cayman Financial Services would approve such a request.

b) Trustee services, to policyholders of Scottish Annuity, that wish to purchase an annuity through a trust. To date, ITL has not provided these services.

ITL has a restricted mutual fund license. ITL has a license to provide the following:

a) Fund administrator services for up to 10 mutual funds. Each fund must be approved by Cayman Financial Services prior to ITL becoming the fund administrator. The trust company currently has eight funds under administration: Maverick Fund LDC, Maverick Fund Ltd, Maverick Fund II, Ltd., Maverick Levered Master Fund, Ltd., Maverick Levered Fund, Ltd., Maverick Protected Master, Ltd., Maverick Protected Fund, Ltd. and Edinburgh, LDC.

There have been discussions of restructuring the ownership of the company. A change made to current ownership must be approved by Cayman Financial Services.

IRISH TRUST ORGANIZATION CHART

Role/Position

Proposed Shareholders:

Bessie Trust	_____%
Tyler Trust	_____%
Vasper, Ltd. (Shari)	_____%
Arakan, Ltd. (Mike)	_____%
Michelle Boucher	_____%

Proposed Directors:

Lisa Wyly, Director
Don Miller, Director
Karla Bodden, Director
Dennis Hunter, Director
Michelle Boucher, Director
Sharyl Robertson, Director

Proposed Officers:

President & CFO – Michelle Boucher
Controller, Hedge Fund Operations – Lara Haskins
Secretary - Michelle Boucher

IRISH TRUST ORGANIZATION CHART (Cont'd)

Committees:

Trust Committee

Sharyl Robertson
Michelle Boucher

Responsible for overall performance of the company and of its responsibilities as fiduciary under individual fiduciary accounts and determining what fiduciary relationships the company will accept.

Audit Committee — Don Miller
Lisa Wyly
Outside Directors

Responsible for assuring the trust company is operating in a sound manner and within compliance with the applicable regulations and other laws of the Cayman Islands. The Audit Committee will be separate and independent from the officers and the directors.

Investment Committee

Don Miller

Outside directors

Responsible for assets managed by the trust company in a fiduciary capacity and provides insight to the CFO with respect to the management of the trust company's investable assets.

TRUST COMPANY INFORMATION

Choice of Charter - Grand Cayman, Cayman Islands

Location: Ugland House, Georgetown, Grand Cayman

Restricted Trust License - Granted January 1995

Restricted Mutual Fund License - Granted January 1995

Minimum Capital Requirement - $25,000

Recommended Capital - $1,500,000

Cayman Island Taxation - None

Investment Standard - Prudent Man Rule

a. The preservation of capital and production of reasonable income are the standards for judging the prudence of investments.

b. The prudence of a fiduciary's action is judged in hindsight and is typically measured against statutory standard of performance.

c. The statutory standard of performance is applied.

D & O/ E& O Insurance - Obtain

Auditors - Ernst & Young (Cayman)

Attorneys - Maples & Calder

Annual Requirements - Audited financial statement delivered within three months of year end to Cayman Financial Services. Auditors to provide internal control letter to the directors and Cayman Financial Services. Unaudited financial statement within 30 days of year end delivered to Cayman Financial Services.

Policies and Procedures Manual - Obtain from law firm

TRUST COMPANY SERVICES

The trust company will provide trust services as follows:

1. Acting as an administrator to various revocable and irrevocable trusts created by or for the beneficiary of the shareholders of Irish Holding and their family members;

2. Providing safekeeping and custodial services;

3. Acting as an agent or attorney-in-fact in any agreed-upon capacity;

4. Trust financial planning;

5. Investment advice and management(upon hiring of investment manger);

6. Tax planning and compliance;

7. Financial administrative services, including bookkeeping, budgeting, financial statement preparation and cash management.

Additional services will be added as deemed appropriate and viable under the Cayman Islands restricted trust license.

MUTUAL FUND LICENSE

FAXED

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519
Email rmacinnis@itc.com.ky

FACSIMILE TRANSMISSION

No. of Pages (incl. Cover sheet): 3

DATE:	April 29, 2002
TO:	Anna Benbatoul
COMPANY:	Aundyr Trust Company
FAX NO:	011 44 1624 624 469
FROM:	Margot MacInnis
SUBJECT:	Irish Trust Holdings

MEMO

Thank you for your facsimile dated April 22nd, 2002. In regard to the share certificate, Maples & Calder confirmed that they hold the original share certificate, a copy is attached for your reference. We would appreciate it if you could arrange with Lotne House to execute the share transfer, the form of which is attached. Upon receipt of the share transfer form we will arrange with Maples & Calder to cancel the share certificate.

If you have any questions please do not hesitate to contact me.

Yours truly,

Margot MacInnis
Manager Trust & Compliance

NOTICE OF EXTRAORDINARY GENERAL MEETING

MAVERICK FUND, LTD

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above named company will be held on 31st December, 1997 at the offices of The Irish Trust Company (Cayman) Limited, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands at 11.00 a.m. to consider the following resolutions as special resolutions:

1. THAT the Memorandum and Articles of Association of the Company be and the same hereby are amended by the deletion in its entirety and the substitution in its place of the Memorandum and Articles of Association annexed hereto.

By order of the board

Registered Office
Maples and Calder
P O Box 309
Ugland House
George Town
Grand Cayman

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. A form of proxy for use at the General Meeting is enclosed. Whether or not you propose to attend the meeting in person, you are strongly urged to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and to send it to or deposit it (together with any power of attorney or other authority under which it is signed, or a notarially certified copy thereof) at the office of The Irish Trust Company (Cayman) Limited, P O Box 30868SMB, Ugland House, South Church Street, Grand Cayman, Cayman Islands as soon as possible and in any event before the time appointed for holding the meeting being 11.00 a.m. on 31st December, 1997. Completion and return of the form of proxy will not preclude you from attending the General Meeting and voting in person if you so wish.

3. If two or more persons are jointly regarded as holders of a share then in voting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other registered holders of the shares and for this purpose seniority shall be determined by the order in which the names stand on the register of members.

MAPLES and CALDER

Attorneys-at-Law

July 5, 1995

Mr. Shawn T. Wells
Maverick Capital
8080 North Central Expressway
Suite 1300
LB-31, Dallas, TX 75206-1895
U.S.A.

Dear Sir,

Re: Maverick Growth & Income Fund L.D.C.

I enclose herewith our account in respect of professional services rendered by this firm for the period ending June 28, 1995 in respect of the above matter together with our account for the incorporation of the above company.

I enjoyed working with you on this transaction and I look forward to having the opportunity to work with you again in the future.

Yours sincerely,

Henry Smith

re: South Zone Fund LDC
Total bill =
$ 3069.83

PO Box 309 Ugland House South Church Street Grand Cayman Cayman Islands British West Indies
Telephone: 809-949-8066 Telecopier: 809-949-8080 Telex: CP (0293) 4212

Maples and Calder
Asia
Suite 1002 One Exchange Square 8 Connaught Place Hong Kong
Telephone: 852-2522-9333 Telecopier: 852-2537-2955

[redacted] = Redacted by the Permanent Subcommittee on Investigations

MAPLES and CALDER

Attorneys-at-Law

Page [redacted]
Inv# [redacted]
Date 6/28/9[redacted]

Maverick Growth & Income Fund, L.D.C.
Attn: Mr. Shawn T. Wells
Maverick Capital
8080 North Central Expressway, Suite
1300, LB-31, Dallas, Tx 75206-1895
USA

Re: General advice

To our charges for professional services rendered by this firm as Cayman Islands legal counsel for the period ending on June 23, 1995:

In relation to the formation of the Maverick Growth & Income Fund L.D.C. a preparation of various matters.

	TOTAL FEES	$937.5(
Communications		19.2(
Communications charge		.6]
Photocopies		.3(
Printing		101.8(
Stamps		7.3[
	TOTAL DISBURSEMENTS	$129.2[
TOTAL - US$		$1066.7[

Additional disbursements may be invoiced at a later date.

Please forward your payment by cheque or banker's draft to the address below or cable transfer to Maples and Calder, account number [redacted] Barclays Bank PLC, Cayman Islands, BWI. (ABA# - 280 762 361) via Barclays Bank PLC, 75 Wall Street, New York, N.Y. 10265. (ABA# - 02600257-4). Plea ensure that your remittance bears reference to the invoice number and client number noted above.

PO Box 309 Ugland House South Church Street Grand Cayman Cayman Islands British West Indies
Telephone: 809-949-8066 Telecopier: 809-949-8080 Telex: CP (0293) 4212

Maples and Calder
Asia
Suite 1002 One Exchange Square 8 Connaught Place Hong Kong
Telephone: 852-2522-9333 Telecopier: 852-2537-2955

[redacted] = Redacted by the Permanent Subcommittee on Investigations

MAPLES and CALDER

Attorneys-at-Law

Page [redacted]
Inv# [redacted]
Date 6/26/9[redacted]

Maverick Growth & Income Fund, L.D.C.
Attn: Mr. Shawn T. Wells
Maverick Capital
8080 North Central Expressway, Suite
1300, LB-31, Dallas, Tx 75206-1895
USA

Re: Company Incorporation

	US$
Professional charges in connection with the incorporation of the abovementioned Company; to preparing Memorandum and Articles of Association; to attending to the registration thereof; to applying for a Tax Exemption Certificate; to preparing Minutes of Subscribers' and Directors Meetings: (Fee - US$500.00)	
To providing the Registered Office for the balance of 1995:	
TOTAL FEES	$1125.0
Seals	45.1
Incorporation Fees	806.0
Stamps	14.6
Tax Exemption Certificate	12.2

(Continued on page 2

PO Box 309 Ugland House South Church Street Grand Cayman Cayman Islands British West Indies
Telephone: 809-949-8066 Telecopier: 809-949-8080 Telex: CP (0293) 4212

Maples and Calder
Asia
Suite 1002 One Exchange Square 8 Connaught Place Hong Kong
Telephone: 852-2522-9333 Telecopier: 852-2537-2955

MAPLES and CALDER

Page
Inv# [redacted]
Date 6/26/9[redacted]

TOTAL DISBURSEMENTS	$878.04
TOTAL - US$	$2003.04

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Additional disbursements may be invoiced at a later date.

Please forward your payment by cheque or banker's draft to the address below or cable transfer to Maples and Calder, account number [redacted] Barclays Bank PLC, Cayman Islands, BWI. (ABA# - 280 762 361) via Barclays Bank PLC, 75 Wall Street, New York, N.Y. 10265. (ABA# - 02600257-4). Please ensure that your remittance bears reference to the invoice number and client number noted above.

31-JUL-1995 17:46 [redacted] P.005

[redacted] = Redacted by the Permanent Subcommittee on Investigations

MAPLES and CALDER

Attorneys-at-Law

Shari - Here are the new G&I bills. I will confirm with Harry Smith at Maples & Calder what the in-going fees will be in keeping these companies on the same basis.

Shawn

July 5, 1995

Mr. Shawn T. Wells
Maverick Capital
8080 North Central Expressway
Suite 1300
LB-31, Dallas, TX 75206-1895
U.S.A.

Dear Sir,

Re: Maverick Growth & Income Fund Ltd.

I enclose herewith our account in respect of professional services rendered by this firm for the period ending June 28, 1995 in respect of the above matter together with our account for the incorporation of the above company.

I enjoyed working with you on this transaction and I look forward to having the opportunity to work with you again in the future.

Yours sincerely,

Henry Smith

new Growth Inc. Fund Ltd.
Total Bill
= $ 7532.18

PO Box 309 Ugland House South Church Street Grand Cayman Cayman Islands British West Indies
Telephone: 809-949-8066 Telecopier: 809-949-8080 Telex: CP (0293) 4212

Maples and Calder
Asia
Suite 1002 One Exchange Square 8 Connaught Place Hong Kong
Telephone: 852-2522-9333 Telecopier: 852-2537-2955

Maverick Fund

Investment Advisor:

Maverick Capital
8080 N. Central Expressway, Suite 1300
Dallas, TX 75206

Administrator:

The Irish Trust Company (Cayman) Ltd.
PO Box 30868 SMB
5th Floor, Ugland House
Georgetown, Grand Cayman
Cayman Islands, BWI
Contact: Michelle Boucher
Phone: 809[redacted]
Fax: 809[redacted]

Share Register:

Queensgate Bank & Trust
PO Box 30868 SMB
Ugland House
Georgetown, Grand Cayman
Cayman Islands, BWI

Prime Brokers:

Bear Stearns
245 Park Avenue
New York, NY 10167

Paine Webber
1285 Avenue of the Americas
10th Floor
New York, NY 10019

Merrill Lynch
101 Hudson Street, 7th Floor
Jersey City, NJ 07302-3997

Goldman, Sachs & Company
1 New York Plaza, 48th Floor
New York, NY 10004

Cayman Counsel:

Maples & Calder
PO Box 309 GT
Ugland House
Georgetown, Grand Cayman
Cayman Islands, BWI

U.S. Counsel:

Jones, Day, Reavis & Pogue
2300 Trammel Crow Center
2001 Ross Avenue
Dallas, TX 75201

Auditor:

Ernst & Young
PO Box 510 GT
Grand Cayman
Cayman Islands, BWI

The Registrar of Companies
Tower Building
George Town
GRAND CAYMAN

SCOTTISH ANNUITY & LIFE HOLDINGS, LTD.

TAKE NOTICE that the following Special Resolution, a copy of which is attached hereto, was passed by all the Shareholders of the Company on *12th November, 1998*:

WHEREBY it was resolved as a Special Resolution:

> **THAT** the Memorandum and Articles of Association of the Company be and they are hereby amended by their entire deletion and their substitution by the Memorandum and Articles of Association annexed hereto.

Dated this 17 November, 1998

Maples and Calder
MAPLES and CALDER

CERTIFIED TO BE A TRUE AND CORRECT COPY

SIG. _____
Asst. Registrar of Companies

DATE: 17 November, 1998

REGISTRAR OF COMPANIES EXEMPTED CAYMAN ISLANDS

HNS\LHP\270613\4489619\rnf502!

THE COMPANIES LAW (1998 REVISION)

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

SCOTTISH ANNUITY & LIFE HOLDINGS, LTD.

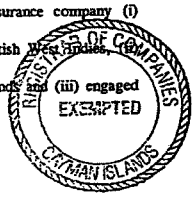
(as adopted by Special Resolution dated 12th November, 1998)

1. The name of the Company is **Scottish Annuity & Life Holdings, Ltd.**.

2. The Registered Office of the Company shall be at the offices of Maples and Calder, Attorneys-at-Law, Ugland House, PO Box 309, 113 South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are, subject to section (i) of this Clause 3, unrestricted and shall include, but without limitation, the following:

(i) (a) To own, hold, purchase or otherwise acquire equity or debt securities in companies, firms or other persons engaged in all or any forms of insurance or reinsurance business and to promote the establishment of such entities, NOTWITHSTANDING any other provision of this Memorandum of Association and of this Clause 3 in particular, the objects for which the Company is established are restricted to holding shares in one or more majority-owned subsidiaries, each of which operates as an insurance company (i) incorporated under the laws of the Cayman Islands, British West Indies, (ii) regulated as such by the government of the Cayman Islands and (iii) engaged



HNS\DrBU.HP\270613\400692\816c13!

primarily and predominantly in the writing of insurance agreements of the type specified in section 3(a)(8) of the United States Securities Act of 1933, as amended (except for the substitution of supervision by Cayman Islands insurance regulators for the regulators referred to in that section), or the reinsurance of risks on such agreements underwritten by insurance companies.

(b) To carry on the business of a holding company and to undertake and carry on and execute all kinds of financial, commercial and other operations.

(ii) To exercise and enforce all rights and powers conferred by or incidental to the ownership of any shares, stock, obligations or other securities including without prejudice to the generality of the foregoing all such powers of veto or control as may be conferred by virtue of the holding by the Company of some special proportion of the issued or nominal amount thereof, to provide managerial and other executive, supervisory and consultant services for or in relation to any company in which the Company is interested upon such terms as may be thought fit.

(iii) To purchase or otherwise acquire, to sell, exchange, surrender, lease, mortgage, charge, convert, turn to account, dispose of and deal with real and personal property and rights of all kinds and, in particular, mortgages, debentures, produce, concessions, options, contracts, patents, annuities, licences, stocks, shares, bonds, policies, book debts, business concerns, undertakings, claims, privileges and choses in action of all kinds.

(iv) To stand surety for or to guarantee, support or secure the performance of all or any of the obligations of any person, firm or company whether or not related or affiliated to

Draft of December 3, 1998

PUBLIC OFFERING
OF
16,750,000
ORDINARY SHARES
OF
SCOTTISH ANNUITY & LIFE HOLDINGS, LTD.

November 30, 1998

Abbreviations and Defined Terms

1940 Act	Investment Company Act of 1940, as amended
Bernstein	The Bernstein Law Firm, insurance counsel to the Company
CGS&H	Cleary Gottlieb Steen & Hamilton, counsel to underwriters
CIBC	CIBC Oppenheimer Corporation
Commission	Securities and Exchange Commission
Company	Scottish Annuity & Life Holdings, Ltd.
E&Y	Ernst & Young, independent auditors of the Company
Exchange Act	Securities Exchange Act of 1934, as amended
Harris Trust	Harris Trust and Savings Bank, the Company's transfer agent and registrar
ING	ING Baring Furman Selz LLC
JDR&P	Jones, Day, Reavis & Pogue, counsel to the Company
M&C	Maples & Calders, Cayman counsel to the Company
NASD	National Association of Securities Dealers, Inc.
NASDAQ	NASDAQ Stock Market's National Markets
Non-Shareholder Investors	Maverick Fund U.S.A, Ltd., Maverick Fund II, Ltd. and Maverick Fund, L.D.C.
Offering	Initial public offering of 16,750,000 Ordinary Shares
Ordinary Shares	Ordinary Shares, par value $0.01 per share of the Company

MAPLES and CALDER

Cayman Islands Attorneys-at-Law

Organizational Meeting

PO Box 309, Ugland House
South Church Street
Grand Cayman, Cayman Islands

Telephone: 1(345) 949 8066
Facsimile: 1(345) 949 8080
Email: info@maples.candw.ky

To:	**Chris Butner**	**Date:**	19 June, 1998
Company:	Jones, Day, Reavis & Pogue	**Ref:**	270613-01
Country:	Dallas, Texas, USA	**Fax No.:**	1-214-969-5100
Sender:	Henry Smith	**No. of pages:** (Including this page)	
Sender's e-mail address:	hns@maples.candw.ky		

Please notify us immediately if you do not receive all pages
Our fax number is 1(345) 949 8080
Our telephone number is 1(345) 949 8066 Ext. 244 (fax room)

c.c.	**Michelle Boucher**	Scottish Annuity Company (Cayman) Ltd.	*949 2519*

Dear Chris

Scottish Life Assurance (Cayman) Ltd.

I attach copies of the signed resolutions for Scottish Life Holdings, Ltd. and Scottish Life Assurance (Cayman) Ltd. If you require any further copies of resolutions I suggest you contact Michelle Boucher directly.

Best regards

Henry Smith

HNS\CZM\LHP\270962\408370

SCOTTISH LIFE HOLDINGS, LTD

MINUTES OF THE FIRST MEETING OF THE BOARD OF DIRECTORS OF THE COMPANY HELD AT UGLAND HOUSE, 5TH FLOOR, SOUTH CHURCH STREET, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS ON THE 9TH DAY OF JUNE, 1998

PRESENT: Michael French

In Attendance: Michelle Boucher

1. Incorporation Details

The Certificate of Incorporation, the Certificate of Incorporation on Change of Name of the Company, a certified copy of the Memorandum and Articles of Association (as revised to show the change of name) and a signed copy of the appointment of Directors by a majority of the Subscribers to the Memorandum of Association were laid before the Meeting.

2. Officers of the Meeting

IT WAS RESOLVED that Michael French and Michelle Boucher be appointed Chairman and Secretary, respectively, of the Meeting.

3. Constitution of the Meeting

The Chairman noted that all the Directors were present in person or by proxy and had agreed to waive notice of the Meeting. Accordingly he declared the Meeting duly constituted.

4. Appointment of Officers

IT WAS RESOLVED that each of the following be appointed to the respective office set opposite his name, each to hold office until his successor shall be appointed or his earlier removal from or vacation of office:-

Michelle Boucher - Secretary

HNS\HNS\270613\40321\0\8n4@01!

5. Resignation of Director

IT WAS RESOLVED that Henry Smith was appointed a director of the Company solely to facilitate the incorporation of the Company and that the resignation of Henry Smith as a Director of the Company is accepted, such resignation to be effective from the date thereof.

6. Adoption of Seal

IT WAS RESOLVED that the Company's Cayman Islands legal counsel be and are hereby authorised to arrange the preparation of the common seal of the Company, and which is hereby adopted, upon receipt of specific instructions from any Director or other person acting on behalf of the Company.

7. Adoption of Form of Share Certificate

IT WAS RESOLVED that the Share Certificate, a specimen of which is attached hereto, be adopted as the form of Ordinary Share Certificate of the Company.

8. Allotment of shares to Subscribers

IT WAS RESOLVED to allot and issue Ordinary Shares to each of the Subscribers to the Memorandum of Association as follows, payment having been made in cash in full at par:-

Henry Smith	one share (no certificate)
Nicola Melia	one share (no certificate)

9. Redemption of Subscribers Shares

IT WAS RESOLVED that, immediately after the further issue of the Ordinary Shares mentioned below, the following Subscribers Shares shall be redeemed at par:-

Subscriber	Number of Ordinary Shares
Henry Smith	one
Nicola Melia	one

HNS\HNS\270613\403210\8n4@011

10. Issuance of Further Shares

IT WAS RESOLVED to allot and issue further Ordinary Shares as fully paid and non-assessable as follows, upon payment being made of US$0.3333 per share:-

Name	Number of Ordinary Shares
Scottish Holdings, Ltd.	1,500,000

11. Issuance of Share Certificate

IT WAS RESOLVED that any two Directors or any one Director and the Secretary or other officer be instructed to prepare, sign, seal and deliver on behalf of the Company Ordinary Share Certificates as follows:-

Name	Number of Ordinary Shares	Share Certificate Number
Scottish Holdings, Ltd.	1,500,000	01

12. Section 183 of the Companies Law

The Directors noted the declaration pursuant to the above mentioned Section signed by Henry Smith as a proposed director of the Company and it was resolved:-

> THAT the terms of the declaration be and they are hereby fully ratified, confirmed, approved and adopted.

13. Termination of Meeting

There being no further business to discuss, the Meeting terminated.

4

Chairman MIKE FRONCAT

Secretary MICHELLE BOUCHER.

09 June, 1998

[redacted] = Redacted by the Permanent Subcommittee on Investigations

First Dallas International
Cash Balance and Expenditures
Nov and Dec

Cash as at Nov 1, 2004	[redacted]
transfer from Banc Of America	[redacted]
FDV - Seranin	
Wire charges	
time depost	
interest income	
Cash as at November 30 2004	[redacted]
Cash as at Dec 1, 2004	[redacted]
Maples &n Calder Fees	[redacted]
Wire charges	
Sale of Deerfeild	
Contribution from Winston Thayer Partners	
interest income	
time deposit	
Winston Thayer	
Cash as at December 31 2004	[redacted]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 503

[redacted] = Redacted by the Permanent Subcommittee on Investigations

FAX TRANSMITTAL

To:	**Lara Haskins**	From:	**Jana Frederick**
Company:	**Irish Trust Company**	Phone:	**214[redacted]**
Phone:	**345/[redacted]**	Fax:	**214[redacted]**
Fax:	**345[redacted]**	Date:	**September 29, 1998**
Number of pages:	**1**	Time:	**9:36 AM**

Comments:

Lara,

The wiring instructions for Edinburgh Fund, Ltd. are as follows:

Citibank N.A.
Account #: [redacted]
Account Name: Bear Stearns
Account Number: [redacted]
For further Credit to: Edinburgh Fund, Ltd.
Account Number: [redacted]

We need the funds in this account as soon as possible. The trades settling in the account on 9/30 put the fund in a negative cash position of $[redacted]

As far as the legal advisors for the fund, Shari believes it is Maples & Calder.

Please give me a call if you have any questions. Thanks.

Best regards,

Jana Frederick

300 Crescent Court • Suite 1000 • Dallas, TX 75201 • 214/880-4100 • Fax 214/880-4104

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 503

MAPLES AND CALDER

BVI | CAYMAN | DUBAI | DUBLIN | HONG KONG | JERSEY | LONDON

Our ref AKP/999999/1610752/v2

Permanent Sub-Committee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510-6250
U.S.A.

Attention: Ms Laura Stuber/Mr Mark Nelson

23 March 2006

Dear Sirs

Thank you for your letter of 21st March 2006 to our partner Henry Smith.

In relation to your query concerning the relationship between Maples and Calder, or its employees, and, respectively, Queensgate Bank & Trust, Security Capital, Irish Trust Company and Scottish Annuity and Life we can confirm that Maples and Calder acts as Cayman Islands legal counsel and/or as statutory registered office provider to Irish Trust Company and Scottish Annuity and Life. In the case of Queensgate Bank & Trust we have, from time to time, provided Cayman Islands legal advice to them. We do not act for Security Capital.

With respect to the further entities listed as (a) through (k) in your letter, we confirm Maples and Calder did not act in establishing or act as Cayman Islands counsel to (a), (b) or (c). In the case of (d) through (k), we confirm Maples and Calder acts or acted as Cayman Islands legal counsel to these entities and/or as statutory registered office provider.

Whilst we reiterate our willingness to discuss general questions relating to the Cayman Islands and Maples and Calder, we must repeat that, subject to the application of any relevant official gateway referred to below, we cannot discuss specific client matters with third parties in the absence of specific client consent. This is a matter of our legal and professional duties (breach of which by us might constitute a civil or criminal offence). We doubt the position is materially different in the United States. Accordingly, if we are to answer specific client-related questions with client consent, you will need to provide us in advance with the list of specific questions in writing, whereupon we can seek the necessary client consent to respond to them.

In the alternative, as you are doubtless aware, a number of official procedures and gateways exist (dating back to 1982) for competent U.S. authorities to seek the disclosure of confidential information. To the extent your enquiries may relate to active investigations into the domestic tax affairs of certain U.S. entities, we would refer you to such official gateways as the Tax Information Exchange Agreement between the Cayman Islands and the United States.

Maples and Calder PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
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The fact that you have already obtained "numerous documents" does not, unfortunately, affect our aforementioned obligations with respect to client confidentiality. However, it may well mean that we are unlikely to provide you with information which you do not already have, given the limited role that we, as Cayman Islands legal counsel, have in cross-border transactions where it is the onshore professional advisers who take the lead role in transaction structuring. Nonetheless, we remain available to see you, and one or more relevant partners should always be in the office, regardless of your intended travel dates.

We look forward to hearing from you further once you have considered the above points.

Yours faithfully

Maples and Calder

MAPLES and CALDER

4.6 **Domicile and residence of the Trustee.** No United States Person or Legal Entity formed under the laws of the United States or any State within the United States shall be a Trustee of this Trust.

5. TRUST DISTRIBUTIONS.

5.1 **Accumulations.** The Trustee may accumulate any income earned by the Trust Fund for such time as the Trustee at its sole and absolute discretion, deems fit, without incurring any liability for such actions.

5.2 **Restrictions on distributions.**

(a) **To United States Persons.** Until the expiration of the second anniversary of the death of the Settlor no part of the Trust Fund, including the corpus or income comprising the Trust Fund may during any Taxable Year be paid to or accumulated for the benefit of any United States Person. If this Trust terminates at any time during a Taxable Year, no part of the capital or income of the Trust Fund can be paid to or for the benefit of any United States Person until the second anniversary of the death of the Settlor.

(b) **To Charitable Organizations.** No distribution to a Charitable Organization may be used for any United States activity of the charity.

(c) **To Precluded Persons.** No distribution may be made to any Precluded Persons.

(d) **To the Settlor.** Notwithstanding any other provision of this Trust Agreement (but, subject to Section 3.3), no part of the Trust Fund (including any income or any future accumulations of income) may revert back to the Settlor. The Settlor may not be a Beneficiary of this Trust. None of the income of the Trust Fund may be applied or distributed or held or accumulated for the health, education, support or maintenance of the Settlor.

5.3 **Discretionary Distributions by Trustee.** The Trustee shall have sole and absolute discretion regarding the distribution of the Trust Fund to any one or more of the Beneficiaries. The Trustee in its sole and absolute discretion may apportion any or all of the Trust Fund between the Beneficiaries of this Trust as the Trustee deems reasonable. The Trustee shall be entitled to act on the advice of counsel and shall not be held accountable or liable for any subsequent tax liability which may arise as a consequence of any distribution or use of the Trust Fund pursuant to the terms of this Trust or for acting on the advice of counsel with respect to the tax laws of the jurisdiction in which the tax liability might arise. This discretionary distribution power of the Trustee shall be limited and void with regard to any distribution that violates any provisions or intent of this Trust. The Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desire regarding such matters as, but not limited to, the investment and management of the Trust Assets and

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Isle of Man Government

Financial Supervision Commission 00148

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INVESTMENT BUSINESS ACTS 1991 TO 1993
SECTION 10

NOTICE OF DIRECTION

To: Mr Keith Leslie King
The Rock
Bridge Street
CASTLETOWN
Isle of Man

WHEREAS the Isle of Man Government Financial Supervision Commission ("the Commission") is authorised by virtue of Section 10 of the Investment Business Acts 1991 to 1993 ("the Act") to make a direction that an individual shall not, without the written consent of the Commission, be appointed as a director, chief executive, manager or controller of a permitted person as defined in Section 5(1) of the Act ("Permitted Person") if it appears to the Commission that any individual is not a fit and proper person to hold such position as aforesaid.

AND THE COMMISSION HEREBY GIVES NOTICE of its decision to make the following direction:

KEITH LESLIE KING ("Mr King") shall not, without the written consent of the Commission, be appointed a director, chief executive, manager or controller (all as defined in Section 10(6) of the Act) of:-

i. any holder of an investment business licence granted pursuant to Section 3 of the Act;

ii. a person exempted under Section 2(3) of the Act from the requirement to hold an investment business as aforesaid; or

iii. a recognised person (as defined in Section 4 of the Act).

This Direction shall take effect at midnight on 5 January 1996.

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REASONS FOR THE DIRECTION

By reason of the matters hereinafter particularised it appears to the Commission that:-

a. Mr King is not a fit and proper person to be employed as a director, chief executive or manager or to become a controller (all as defined in Section 10(6) of the Act) of a Permitted Person;

b. Mr King cannot be relied upon by any Permitted Person to act in accordance with the regulatory obligations required of a Permitted Person in carrying out its business; and

c. Mr King's behaviour has been such that it falls short of the standard of conduct expected of a director, chief executive, manager or controller (as defined in Section 10(6) of the Act) in carrying out the business of a permitted person.

PARTICULARS

Concerns regarding Honesty and Integrity

1. The Commission considers that there is good evidence to indicate that Mr King has been involved in a conspiracy to defraud the South African Reserve Bank ("SARB"), utilising forged documents, which has allegedly resulted in a very substantial loss to the SARB.

   Furthermore, the Commission has become aware that Mr King has in the past, as the Managing Director of a stockbroking firm in the island, instructed junior members of staff within City & International Securities Ltd ("CISL") (formerly Shearwater Securities Ltd) to carry out certain administrative and investment transactions using false identities. These transactions have subsequently been revealed to form part of the alleged fraud mentioned above.

   The Commission cannot, therefore, be satisfied as to the honesty and integrity of Mr King.

   Rationale

   1.1 The Commission has received a communication from SARB enclosing a Report from KPMG Aiken and Peat ("KPMG") which states that KPMG have been assisting the SARB, the Office for Serious Economic Offences and the South African Police on the investigation into alleged stock transactions referred to as the "Emerald Scheme". The Commission has noted that the Office for Serious Economic Offences becomes involved only in those cases where there appears to be a serious and complicated economic offence.

   This report contains a number of serious allegations which have led to an arrest warrant being issued in South Africa in respect of Mr King (see Appendix 1.1a for a certified copy of the warrant and an English translation thereof). A copy of Section 43 of the South African Criminal Procedure Act No. 51 of 1977 is also attached (Appendix 1.1b) which outlines the circumstances under which an arrest warrant can be issued. It can be seen from this that a Magistrate must be satisfied that there is a "reasonable suspicion" that the person in respect of whom the warrant is applied for has committed the alleged offence. The offence mentioned in the arrest warrant is "fraud and forgery". Furthermore, it can be seen from this section that the purpose of a warrant is to arrest a person to bring him before a court. It cannot therefore be issued merely to enable the relevant authorities to question a person.

KPMG have indicated that the Report provided to the Commission provides only an indication of the types of transactions investigated and provides details of three specific transactions. KPMG have investigated 717 transactions and a number of these have been found to be forged or fraudulent. KPMG state that Mr King is the common director and / or receiver of correspondence from overseas in many of these cases. Furthermore, KPMG allege that in many instances, the transactions were effected on instructions from Mr King.

The following three transactions are discussed in the KPMG Report:-

1.1.1 On 22 March 1989, Kingdom Trust (Pty) Ltd bought and sold 4,415,000 Brakpan 12.3% 1996 gilts for settlement on 30 March 1989 through a Johannesburg Stock Exchange stockbroker, K P Claassen. The gilts traded were recorded in the stockbroker's ledger as being 4 certificates as follows:-

Cert. No.	Registered Holder	Quantity of Scrip Dealt
196	M Lewis	2,116,800
218	Nedbank Nominees	415,000
197	S Lewis	292,562
221	Z Lewis	1,590,638
		4,415,000

According to an affidavit obtained from Mr G J Van Tonder of the Brakpan Municipality, none of the above certificate numbers exist. Also, no gilts issued by Brakpan municipality have ever been issued in the name of S Lewis, Z Lewis, or Nedbank Nominees in the last 8 years.

This transaction is alleged to have been conducted using forged certificates. Whilst the South African authorities have not yet proved who committed the forgeries, it is alleged that Mr King was (at least) a participant in a scheme using false documents.

The profits from this transaction were paid to the Kingdom Trust (Pty) Ltd bank account at First National Bank, Harrington Street, Cape Town. Kingdom Trust (Pty) Ltd is a company registered in South Africa, with Mr King, Mrs R L King and J A Tarlton as directors. Mr King's address is given as 1 The Parade, Castletown, Isle of Man. The Commission has good reason to believe that Kingdom Trust (Pty) is a company owned and controlled by Mr King.

1.1.2 On 20 September, 1990, Express International bought 970,000 Delmas 13.45% 1997 gilt from Gibb Beck & Associates ("GBA") for settlement on the same day through a broker, CM Interbank. The gilt traded was recorded in the broker's ledger as being one certificate as follows:-

Cert. No.	Registered Holder	Quantity of Scrip Dealt
68	Sendmark Investments	970,000

A copy of a certificate with the above details was found by the South African police on the premises where GBA had their offices.

According to affidavits obtained from Mr J P Van der Westhuizen and Mr J Luwes of the Delmas Town Council, Sendmark Investments has

never been recorded as the registered holder with Delmas Town Council. Also, Delmas Council commented as follows with regard to the certificate on the premises of GBA:-

- the certificate was never issued by Delmas Town Council in this form,
- the signatories on the certificate are unknown
- the stamp on the certificate is unknown, and
- the wording at the bottom of the certificate is not the same as that found on a normal Delmas Town Council certificate.

This transaction is alleged to have been conducted using forged certificates. Again, whilst the South African authorities have not proved who committed the forgeries, it is alleged that Mr King was (at least) a participant in a scheme in which forged documents were utilised.

Although no profit was made on this transaction, the funds were moved from a Financial Rand account (Express International) to a Commercial Rand account (GBA).

The funds from this GBA Commercial Rand account were put through various intermediary accounts and finally went to foreign exchange payments for so-called imported "Emerald" stones from Botswana. However, there were no Emeralds, and payments were sent to a Swiss bank account in the name of "D & W Traders" at Republic National Bank, Geneva, the beneficial owner of which is at present unknown.

Some of the people involved in this last leg of the "Emerald Scheme" have been charged in the South African courts and they have each received between 5 and 7 year jail sentences.

Express International is believed to be a company incorporated in the British Virgin Islands. The addresses used for correspondence were either to the South Africa address of GBA and/or to a London address. The directors of GBA were Guy L Beck and D J C Gibb. For this transaction and others, Guy Beck faxed the exact details of the transaction to the Shearwater Securities facsimile number (0624 822157) three days before the deal was done (on 17 September 1990).

Mr King was a director and shareholder of Shearwater Securities Limited. Guy Beck, director of GBA, corresponded regularly by way of facsimile to "Keith" before many of the alleged forged transactions were completed. Mr Beck communicated with Mr King in respect of transactions in the name of Express International and Bulman Investments (another company which KPMG indicate was an important role player in the Emerald Scheme). Although Mr King does not appear to be involved with Express International and Bulman Investments formally, it is clear that Mr Beck received instructions from Mr King in respect of these transactions. The Commission has reason to believe that Mr King effectively controlled both Express International and Bulman Investments.

1.1.3 On 4 July 1990 Shearwater Securities (now known as City & International Securities Limited ("CISL")) bought 200,000 Eskom 11% 2007/8 gilts from a third party for settlement on 12 July 1990 through a Johannesburg Stock Exchange stockbroker, Boner & Freemantle. The gilt traded was recorded in the broker's ledger as being one certificate as follows:-

Cert. No.	Registered Holder	Quantity of Scrip Dealt
P23092 Part 3	Eskom	200,000

As the Shearwater Securities account was a non-resident account, the account at the stockbroker was a Financial Rand account. According to South African Reserve Bank rulings, any gilt certificate bought through a Financial Rand account must be endorsed with a non-resident stamp to ensure that when the stock is sold the proceeds are returned to a financial rand account.

This certificate was obtained from Eskom archives. There was no endorsement on the certificate. KPMG believes that the only reasonable explanation for the absence of an endorsement on this and many other transactions was that another document was used as a substitute.

This transaction is suspected to have been conducted using a forged certificate. Once again, whilst there is no direct evidence at present that Mr King forged any certificates, the fact that Mr King had a direct interest in this transaction may justify the finding that Mr King was party to a fraudulent transaction, from which only he would have benefited.

Mr King is a director and shareholder of Shearwater Securities Limited (now CISL).

These are examples of 717 transactions relating to South African exchange control violations investigated by KPMG on behalf of the SARB, the Office for Serious Economic Offences and the South African Police.

Concerns regarding Competence

2. The Commission is aware that Shearwater Nominees Limited (of which Mr King is a director) was struck off the Companies Registry on 28 March 1994, having failed to file its annual return. Statutory Notices to this effect were issued by the General Registry to the company at its registered office at 1 The Parade, Castletown. Despite the strike-off of this company, it continued to hold assets on behalf of third parties, including clients of CISL, and indeed, to transfer these assets to third parties even though such transfers would clearly be invalid because the company no longer existed. Such action is, of course, misleading and would be a breach of Section 328 of the Companies Act 1931 (extract attached - Appendix 2a). The Commission considers that, as a director and (via his shareholding in Shearwater Securities Limited) shareholder of Shearwater Nominees Limited, Mr King had a duty to ensure that the company complied with the island's legislation. In not doing so, the Commission believes that Mr King has displayed a lack of control over his business affairs and his competence must therefore be in question.

3. Furthermore, the Commission has been unable to verify certain statements made by Mr King and, as a result, the Commission is of the view that Mr King has not shown a level of competence expected of those engaged in licensable activity in that the Commission expects permitted persons to organise and control their affairs

in a responsible manner and ensure that they have well defined procedures to facilitate compliance with the regulatory requirements. In particular, the Commission expects information which is sent to clients and others to be accurate and to be supported by sound record keeping. The Commission is not satisfied in either of these areas.

Supporting Evidence

3.1 **Private Banking Clients of Mr King**

Officers of the SFA became aware, during a routine compliance visit in April 1994, that Mr King was controlling a number of bank accounts on behalf of certain clients (eg. [redacted]. The bank statements for these accounts are designated "c/o K King, City & International Securities Limited . . ." and, in many instances, Mr King has signing powers over the bank accounts.

The Commission is concerned that:-

a. there is evidence of transfers being made into and out of these accounts without any record being maintained of instructions being received from clients. For example, on 17 February 1994 Mr King requested a cheque for £14,000 to be issued from the account of Bensham Limited in favour of CISL (see Appendix 3.1a). There does not appear to be any record of an instruction from the client to sanction this transfer and Mr King has indicated (See Appendix 3.1b) that this was a telephone instruction. At the very least we would have expected to see on the file a note of a telephone conversation. This was not in existence at the time of SFA's visit.

b. there appears to be no-one at CISL, other than Mr King who has knowledge of these "private" bank accounts and the transactions thereon. Both Mr A Edwards, the then compliance officer of CISL and Mr P Bell, the Finance director of CISL have advised officers of SFA that they have no knowledge of these bank accounts. Indeed, on 26 September, 1994, Mr Bell referred officers of SFA to Mr King for details of accounts over which signing mandates are held as he was unaware of these accounts (see Appendix 3.1c). Mr Bell has since clarified to the Commission that, whilst he was aware of the existence of the accounts in general terms, he was not aware of what they were for and would only arrange for monies to be paid away from/to these accounts either on sight of a contract note for a specific investment deal or on the specific instructions of Mr King.

The Commission is of the view that the overall operation of these accounts, and the lack of supporting records, is in breach of SFA client asset rule 4-17(2), a copy of which is attached in Appendix 3.1d.

3.2 **Trans Global Investment Fund ("TGIF")**

The Commission understands that Mr King, as a director of City & International Securities Ltd, has personally taken responsibility for the operation of this collective investment scheme, including its management and the preparation of its records, which were kept on a separate personal computer operated by Mr King. The Commission is of the view that the overall operation of this fund and the lack of accurate supporting records displays a lack of competence on the part of Mr King.

3.2.1 Errors in TGIF Accounting Records

The Commission notes that there appear to be various accounting errors in the statement of accounts for TGIF (see Appendix 3.2.1a). For instance, on Mr King's Financial Rand account the entry for the 8 July 1993 shows $93,145 bought for 650,000 ZAL. In fact, it appears that the GB£/ZAL exchange rate has been used in error and the US$ amount should read approximately $141,300 (Appendix 3.2.1b). Mr King has confirmed that this is an error.

The Commission notes that the valuation for TGIF at 29 April, 1994 (Appendix 3.2.1c) shows South African Securities under the heading Financial Rand, but appears to provide a valuation of securities in Commercial Rand (ZAR). Mr King has confirmed that this is an error.

Additionally, on CISL's accounts within TGIF's books and records there is an entry dated 9 August 1994 on the Swiss Franc and GB£ accounts where the double entry is inaccurate. The entries (Appendix 3.2.1d) recorded are "bought CHF 9,873 for GBP 4,792.88" - this gives rise to a debit entry in the sterling account of 4,792.88. However, the corresponding entry on the CHF account shows "sold GBP 4,972.88 for CHF 9,873" - leading to a debit entry of CHF 9,873. It is clear that the double entry fails as there are two debit items and consequently either the sterling or Swiss franc accounts are inaccurate. Mr King's representatives have now confirmed that two transposition errors occurred.

3.2.2 *Valuation of African Experience Limited*

The Commission has noted a TGIF valuation dated 29 April 1994 (copy attached - Appendix 3.2.2a) which shows as an asset 2 shares of African Experience Limited. (Indeed, shares of the same value were included in valuations prior to this date) When asked to provide evidence of this, Mr King, in his letter to the SFA dated 17 May 1994, provided share certificates (Appendix 3.2.2b) in the name of Harbour Nominees Limited (3 shares issued on 10 June 1993) and City Registrars Limited (1 share issued on 10 June 1993). In Mr King's letter of 17 May 1994 to the SFA, he states that "there are 4 shares in issue from African Experience, 2 being beneficially owned by myself and two by TGIF".

Mrs Harrison, from the Commission's staff, when perusing the files and statutory documents of African Experience Limited on 8 June 1994 was unable to find any evidence that any of the shares were being held on behalf of TGIF. There did not appear to be any declarations of trust in place at that time, although previous declarations of trust appeared on the file which showed that shares had previously been held on behalf of Mr King. Furthermore, the Commission found no evidence of any instruction being given by Mr King to transfer the ownership of the shares to TGIF. Whilst the Commission accepts that, since that time, stock transfer forms have been backdated and appropriate declarations of trust have been put in place, it nonetheless believes that the valuation of 29 April 1994 was misleading in that the Commission has seen no evidence that TGIF owned the shares of African Experience at the time that they appeared on TGIF's valuation.

Whilst Mr King has indicated that he felt that the preparation of Declarations of Trust was the responsibility of the corporate administrator concerned, nevertheless, the Commission is of the view that it was Mr King's responsibility to ensure that such Declarations of

Trust evidencing the transfer of ownership (an extremely important matter) were properly prepared and executed. This, again, leads the Commission to question Mr King's competence.

3.2.3 **Incorrect Valuation of Beckenham shares on break up of TGIF.**

TGIF was wound up with effect on 30 August 1994 and unit holders at that time received cash and shares in proportion to their holdings. Part of the shares so transferred were Beckenham ordinary shares that TGIF held. For the purposes of these transfers the shares were valued at 17p each. It would appear that this price greatly overvalued the shares being transferred as market makers were quoting a price of 12p to 15p (bid-offer) on 30 August 1994 (Appendix 3.2.3). Mr King has recently stated that he believes and assumes that, on the date of the valuation, market makers would have been called and that it may be that they quoted for a buyer rather than a seller. Mr King has provided no contemporaneous evidence supporting this assumption.

3.3 **Failure to Submit Audited Accounts and Monthly Financial Reporting Statements in respect of CISL, in accordance with Regulations.**

As a permitted person, CISL is required to submit regular financial information to the SFA as set out in SFA rule 3-21 (Appendix 3.3a). The statutory audited accounts of CISL for the year ended 31 March 1994 should have been submitted by 30 June 1994, but were not received until 22 May 1995. Additionally, on numerous occasions throughout 1994/95 (Appendix 3.3b), the Firm has failed to submit the necessary monthly financial information required by the deadlines laid down in the SFA's Rulebook. The Commission expects the controller of a permitted person to ensure that financial information is submitted timeously to SFA.

MATTERS TO BE TAKEN INTO ACCOUNT

The concerns of the Commission and the grounds upon which they are based have been communicated to Mr King who has been given the opportunity to comment upon them. Mr King, through his advocate, has made a number of submissions and in particular an interim response dated 21 July 1995 and a further reply dated 31 August, 1995. The Commission has fully considered not only the evidence against Mr King but also his interim and supplemental responses in arriving at its decision. Subsequent to the receipt of the responses, further evidence corroborative of the initial evidence has been obtained.

RIGHTS OF REFERENCE TO THE TREASURY

Mr King is hereby informed that if he is aggrieved by the issue of the direction contained herein made pursuant to Section 10 of the Act, he has the right to apply to the Treasury by virtue of Section 15(1) of the Act and the Investment Business (Review of Decisions) Order 1991 ("the Order") for a review of the Commission's decision to make the said direction.

An application under the Order shall be made by delivery to the Treasury of a written application including the items specified in the Schedule to the Order within 14 days (or such longer period as the Treasury may permit) of the date on which the Commission gave the notice herein contained.

Dated this 5th day of December 1995

Signed by Mr J E Noakes
for an on behalf of the Commission

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered as of March 29, 1996 between Michaels Stores, Inc., a Delaware corporation ("Seller") and Locke Limited, an Isle of Man corporation ("Purchaser").

RECITAL

Seller desires to issue and sell to Purchaser, and Purchaser desires to purchase from Seller, 900,000 newly issued and outstanding shares (the "Shares") of Common Stock, par value $.10 per share, of Seller (the "Common Stock") on the terms and subject to the conditions set forth in this Agreement.

Seller and Purchaser hereby agree as follows:

I. PURCHASE AND SALE

1.1 Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined in Section 1.3) Seller will issue and sell to Purchaser, and Purchaser will purchase from Seller, the Shares.

1.2 Purchase Price. As consideration for the issuance of the Shares, Purchaser will pay to Seller at the Closing the aggregate amount equal to the product of (a) the number of Shares to be issued pursuant to this Agreement multiplied by (b) $12.50 per Share (the "Purchase Price")

1.3 The Closing.

(a) Subject to Section 1.4, the closing of the purchase and sale of the Shares hereunder (the "Closing") will take place on April 5, 1996 or such other date as Seller and Purchaser may agree (the "Closing Date").

(b) At the Closing, (i) Purchaser will pay to Seller the Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller and (ii) Seller will deliver to Purchaser a single certificate representing the Shares registered in the name of "Locke Limited".

(c) At the Closing Seller will deliver to Purchaser, and Purchaser will deliver to Seller, a certificate confirming that their respective representations and warranties set forth in this Agreement are true and complete in all material respects on the Closing Date as if made on that date.

1.4 Condition to Closing.

(a) Notwithstanding anything to the contrary in this Agreement, the obligation of Seller to consummate the sale and purchase of the Shares contemplated hereby is subject to satisfaction of each of the following conditions:

(i) The Board of Directors of Seller shall have approved the sale of the Shares on or before the Closing Date.

(ii) The representations and warranties of Purchaser in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

(b) Notwithstanding anything to the contrary in this Agreement, the obligations of Purchaser to consummate the sale and purchase of the Shares contemplated hereby are subject to the condition that the representations and warranties made by Seller in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

II. REPRESENTATIONS AND WARRANTIES OF SELLER

2.1 Organization; Power and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Agreement and the performance by it of the transactions contemplated hereby to be performed by it have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation of Seller.

2.2 Capitalization. The authorized capital stock of Seller consists of (i) 50,000,000 shares of Common Stock, of which as of March 15, 1996, 21,617,025 shares were issued and outstanding, fully paid and nonassessable and no shares were held in the treasury, and (ii) 2,000,000 shares of preferred stock, $.10 par value per share, of which as of March 15, 1996, no shares were outstanding. Upon the issuance of the Shares to Purchaser and the payment to Seller of the Purchase Price, the Shares will be validly issued and outstanding, fully paid and nonassessable, and Purchaser will acquire good and valid title to the Shares, free and clear of any charges, liens or other encumbrances ("Encumbrances") of any kind. None of the Shares have been issued in violation of any preemptive rights, rights of first refusal or other acquisition rights.

2.3 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any court, governmental authority or other regulatory or administrative agency or commission, domestic or foreign ("Governmental Entity"), or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Seller.

2.4 SEC Reports; Financial Statements.

(a) Seller has delivered to Purchaser (i) its Annual Report on Form 10-K for the fiscal year ended January 29, 1995 and (ii) its Quarterly Reports on Form 10-Q for each of the fiscal quarters ended April 30, 1995, July 30, 1995 and October 29, 1995, respectively, each in the form (including exhibits) filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"). Each SEC Report has been prepared and filed in accordance with all applicable rules and regulations of the SEC and at the time of its filing was in compliance with such rules and regulations in all material respects. As of their respective dates, the SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the audited consolidated financial statements and unaudited consolidated interim financial statements of Seller (and the related notes and schedules) included in the SEC Reports present fairly, in all material respects, the consolidated financial position of Seller and its consolidated subsidiaries as of the respective dates thereof and the results of operations and cash flows for the respective periods set forth therein, in accordance with generally accepted accounting principles consistently applied during the period involved, except as otherwise noted therein and subject, in the case of the unaudited interim consolidated financial statements, to the omission of certain notes not ordinarily accompanying such unaudited interim consolidated financial statements and to normal year-end adjustments and any other adjustments described therein.

(c) Except as set forth in the SEC Reports, any other reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to Seller, and any public announcements made by Seller, since October 29, 1995 there has been no material adverse change in the

assets, earnings, financial position, business or prospects of Seller and its subsidiaries, considered as a whole.

2.5 No Broker; Finder; Etc. None of Seller or its directors, officers or employees has employed any investment banker, consultant, broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

3.1 Power and Authority. Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding obligation of Purchaser.

3.2 Purchase for Investment. Purchaser acknowledges that the Shares have not been registered under the Securities Act of 1933, as amended ("Securities Act"), or under any state or foreign securities laws. Purchaser is not an underwriter as such term is defined under the Securities Act, and is purchasing the Shares solely for investment with no present intention to distribute any of the Shares to any person or entity ("Person"). Purchaser will not sell or otherwise dispose of any of the Shares, except in accordance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder, and any other applicable securities laws. Purchaser further understands that the certificate representing the Shares will bear the following legend and agrees that it will hold the Shares subject thereto:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND MICHAELS STORES, INC. SHALL HAVE RECEIVED, AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO MICHAELS STORES, INC. (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO MICHAELS STORES, INC.).

3.3 Suitability and Sophistication. Purchaser represents and warrants that it (a) is an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act, (b) has such knowledge and experience in financial and business matters that it is capable of independently evaluating the risks and merits of purchasing the Shares, (c) has been provided with the opportunity to make a reasonable investigation of Seller, including the opportunity to make any inquiries and to request additional information necessary to its investment decision, and Seller has satisfactorily responded to any inquiries and furnished to Purchaser all requested information, (d) has independently evaluated the risks and merits of purchasing the Shares and has independently determined that the Shares are a suitable investment for it, and (e) has sufficient financial resources to bear the loss of its entire investment in the Shares.

3.4 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Purchaser is a party or by which Purchaser or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Purchaser.

3.5 No Agreements. Purchaser acknowledges that there are no agreements, arrangements, commitments or understandings relating to any of the Shares except pursuant to this Agreement.

3.6 No Broker; Finder; Etc. None of Purchaser or its directors, officers, agents or employees has employed any investment banker, consultant, broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

IV. REGISTRATION RIGHTS

4.1 Registration. Upon receipt of a written request (the "Registration Notice") by Purchaser at any time after one year from the date of this Agreement, Seller shall cause to be filed as soon as practicable a registration statement (a "Shelf Registration Statement") under the Securities Act on Form S-3 or any other appropriate form under the Securities Act for an offering to be made on a delayed or continuous basis pursuant to Rule 415 thereunder or any similar rule that may be adopted by the SEC and permitting sales in ordinary course brokerage or dealer transactions not involving an underwritten public offering (and shall register or qualify the shares to be sold in such

offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) covering no less than the aggregate number of Shares then held by Purchaser (those Shares together with any shares of Common Stock or other securities that may subsequently be issued with respect to the Shares as result of a stock split or dividend, reclassification, or combination of shares or any sale, transfer, assignment or other transaction by Seller or Purchaser involving the Shares and any securities into which the Shares may thereafter be changed as a result of merger, consolidation, or recapitalization or otherwise are referred to as the "Registrable Shares") so that the Registrable Shares will be included in an effective registration statement under the Securities Act. Seller shall use its reasonable efforts to cause the Shelf Registration Statement to be declared effective by the SEC on or before 90 days following Seller's receipt of the Registration Notice. Seller shall use its reasonable efforts to keep the Shelf Registration Statement continuously effective (and to register or qualify the shares to be sold in such offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) for so long as Purchaser holds any Registrable Shares or until Seller has caused to be delivered to Purchaser an opinion of counsel, which counsel shall be reasonably acceptable to Purchaser, stating that the Registrable Shares may be sold by Purchaser pursuant to Rule 144 without regard to any volume limitations and that Seller has satisfied the informational requirements of Rule 144. Seller shall file any necessary listing applications or amendments to existing applications to cause the Registrable Shares to be listed on the primary exchange or quotation system on which its shares of Common Stock are then listed, if any. Seller will use reasonable efforts to register or qualify the Registrable Shares under such other securities or "blue sky" laws of such jurisdictions as Purchaser may reasonably request and do any and all other acts and things that may be reasonably necessary or advisable to register or qualify for sale in such jurisdictions the Registrable Shares owned by Purchaser; provided that Seller shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified, (ii) subject itself to taxation in any such jurisdiction, (iii) consent to general service of process in any such jurisdiction, or (iv) provide any undertaking required by such other securities or "blue sky" laws or make any change in its charter or bylaws that the Board of Directors of Seller determines in good faith to be contrary to the best interest of Seller and its stockholders. Notwithstanding the foregoing, if Seller shall furnish to Purchaser a certificate signed by the chief executive officer of Seller stating that in the good faith judgment of the Board of Directors of Seller it would be significantly disadvantageous to Seller and its stockholders for the Shelf Registration Statement to be amended or supplemented, Seller may defer such amending or supplementing of such Shelf Registration Statement for not more than 45 days and in such event Purchaser shall be required to discontinue disposition of any Registrable Shares covered by such Shelf Registration Statement during such period.

4.2 Distribution of Registerable Securities. If Purchaser intends to distribute the Registerable Securities covered by the Shelf Registration Statement by means of an underwriting, Purchaser shall so advise Seller. In that event, the underwriting shall be managed by an underwriter or underwriters selected by Purchaser that are reasonably acceptable to Seller (which approval shall not unreasonably be withheld). Purchaser shall have the right to negotiate with the underwriters and to determine all terms of the underwriting, including the gross price and net price at which the Registrable Securities are to be sold. Seller shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected as above provided and any representations and warranties of Seller thereunder to and for the benefit of the underwriters shall also be made to and for the benefit of Purchaser. Seller will furnish to Purchaser and the underwriters (i) an opinion of counsel for Seller, addressed to Purchaser and the underwriters, dated the date of the closing under the underwriting agreement, and (ii) a "comfort letter" signed by the independent public accountants who have certified Seller's financial statements included in the Shelf Registration Statement, addressed to Purchaser and the underwriters; provided however, that (i) the opinion and "comfort letter" shall cover substantially the same matters with respect to the Shelf Registration Statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public secondary offerings and such other matters as Purchaser may reasonably request, and (ii) the "comfort letter" shall also cover events subsequent to the date of such financial statements.

4.3 Furnish Information. In connection with the Shelf Registration Statement, Purchaser will (a) cooperate with Seller to effect such registration and to maintain the effectiveness thereof, (b) promptly and accurately furnish any information reasonably requested by Seller concerning Purchaser and the proposed distribution by Purchaser, and (c) promptly comply with all applicable requirements of the Securities Act, the Exchange Act and any other applicable federal or state laws, including, but not limited to, furnishing Seller such information regarding Purchaser, the Shares held by it and the intended method of disposition of such securities as reasonably required in connection with the action to be taken by Seller pursuant to this Agreement.

4.4 Expenses of Registration. Seller will bear all expenses incurred in effecting any registration pursuant to this Agreement, including without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for Seller, blue sky fees and expenses, expenses of any regular or special audit incident to or required by any such registration, but will not include any expenses payable by Purchaser under this Section 4.4. Purchaser will pay in connection with any registration of its Shares any

underwriting discounts, selling commissions, fees or disbursements of Purchaser's counsel or of any advisor to Purchaser not retained by Seller, or fees and expenses incident to preparation of information by Purchaser, and expenses incurred in connection with the qualification of the Registrable Shares in a jurisdiction that requires those expenses to be paid by a selling shareholder.

4.5 Registration Procedure.

(a) Seller will keep Purchaser advised in writing of the initiation and the completion of each registration, qualification and compliance effected by Seller under this Agreement.

(b) At its expense, Seller will:

(i) prepare and file with the SEC such amendments and supplements to the Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Shelf Registration Statement effective for the period described in Section 4.1(a) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of the Registrable Securities whenever the Purchaser shall desire to sell or otherwise dispose of the Registrable Securities within that period;

(ii) furnish to Purchaser and any underwriters such numbers of copies of the Shelf Registration Statement, amendments and supplements thereto, the prospectus included in the Shelf Registration Statement including any preliminary prospectus, and any amendments or supplements thereto, and such other documents, as Purchaser and any underwriters may reasonably request in order to facilitate the sale or other disposition of the Registrable Securities;

(iii) use its reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act; and

(iv) notify Purchaser at any time when a prospectus relating to the Registrable Securities is required to be delivered under the Securities Act, of the happening of any event of which Seller has knowledge as a result of which the prospectus included in the Shelf Registration Statement, as then in effect, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

4.6 Postponement of Registration. If after any registration statement including Registrable Shares has become effective there exists in the opinion of Seller's management material non-public information about Seller which has not been released and which, in the reasonable opinion of Seller's management, would not be advisable to release, then upon receipt of notice from Seller, Purchaser will not offer or sell or permit to be offered or sold any of the Registrable Shares for such time as Seller believes such condition is continuing. If the offering is not completed because of Seller's exercise of its rights hereunder, Seller will reimburse Purchaser for all of its expenses incurred in connection with the terminated offering.

4.7 Indemnification by Seller.

(a) Seller will indemnify Purchaser, its directors, officers, employees, and agents, and any person controlling the Purchaser (within the meaning of the Securities Act) and each underwriter, if any, of the Registrable Shares and each person controlling that underwriter (within the meaning of the Securities Act), against all claims, losses, expenses, damages, liabilities and actions ("Claims) in respect of Claims (including any Claim incurred in settlement of any litigation, commenced or threatened) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, or any amendment or supplement thereto, or any notification or the like incident to any such registration, or any amendment or supplement thereto, or any qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or related registration statement incident to such registration, qualification or compliance, a material fact required to be stated in it or necessary to make that statement in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Seller of any rule or regulation promulgated under the Securities Act applicable to Seller and relating to action or inaction required of Seller in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this Section 4.7(a) will not apply (A) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (B) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, or any underwriter (or to the benefit of any person who controls Purchaser or such underwriter within the meaning of the Securities Act) from whom the person asserting the Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time

such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon (1) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (2) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (3) any violation or alleged violation by Seller of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law (collectively a "Violation") which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a Claim by Purchaser under this Section 4.7(a)) or such underwriter or controlling person (with respect to a Claim by such underwriter or controlling person under this Section 4.7(a)).

(b) Seller will reimburse Purchaser, its directors, officers, employees, agents, and controlling person and each such underwriter or controlling person for any legal or any other expenses reasonably incurred in connection with investigating or defending any Claim; provided, however, that the reimbursement provisions contained in this Section 4.7(b) will not apply (i) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, and controlling person or any underwriter (or to the benefit of any person who controls such underwriter within the meaning of the Securities Act) from whom the person asserting any Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a claim for reimbursement by Purchaser, its directors, officers, employees, agents, and controlling person under this Section 4.7(b)) or such underwriter or controlling person (with respect to a claim for reimbursement by such underwriter or controlling person under this Section 4.7(b)).

4.8 Indemnification by Purchaser.

(a) Purchaser hereby indemnifies Seller, its directors, officers, employees, agents, and any person controlling Seller (within the meaning of the Securities Act) each underwriter, if any, of Seller's securities covered by such registration statement, each person who controls that underwriter (within the meaning of the Securities Act) against all Claims (including any Claim incurred in settlement of any litigation commenced or settled) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, notification or the like, incident to such registration, qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or any related registration statement, qualification or compliance, a material fact required to be stated in it or necessary to make the statement(s) in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Purchaser of any rule or regulation promulgated under the Securities Act applicable to Purchaser and relating to action or inaction required of Purchaser in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this Section 4.8(a) will apply to any Claim only to the extent that it arises out of or is based upon a Violation which occurs solely in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser, and provided further that Purchaser will have no liability hereunder if (A) any such written information contained an untrue statement or omission or alleged untrue statement or omission that was subsequently corrected in writing by Purchaser and furnished to Seller or the underwriter in sufficient time for incorporation into the final prospectus, or (B) Seller pays any amounts in settlement of any such Claim if such settlement is effected without the consent of Purchaser (which consent will not be unreasonably withheld).

(b) Purchaser will reimburse Seller and its directors, officers, employees, agents and controlling person (within the meaning of the Securities Act) each underwriter, and each person controlling that underwriter (within the meaning of the Securities Act) for any legal or any other expenses reasonably incurred in connection with investigating or defending any such Claim; provided, however, that the reimbursement provisions contained in this Section 4.8(b) will apply to any such Claim only to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser.

4.9 Notice. Promptly after receipt by an indemnified party under Section 4.7 or 4.8 of notice of the commencement of any action (including, but not limited to, any action by a

Governmental Entity), such indemnified party will, if a Claim in respect thereof is to be made against any indemnifying party under Sections 4.7 or 4.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party will have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties and the indemnified party will bear the fees and expenses of any additional counsel thereafter retained by it; provided, however, that indemnified parties will have the right to retain counsel to represent all indemnified parties, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified parties by the counsel retained by the indemnifying party would be inappropriate due to actual or potential material differing interests between such indemnified parties and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, will relieve such indemnifying party of any liability to the indemnified party under Section 4.7 or 4.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under Section 4.7 or 4.8.

4.11 Contribution.

(a) If for any reason the indemnification provided for in Section 4.7 or 4.8 is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by such sections, then the indemnifying party will contribute to the amount paid or payable by the indemnified party as a result of any Claim in such proportion as is appropriate to reflect not only the relative benefits received by the indemnified party and the indemnifying party, but also the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations; provided, however, that, in any such case, (i) Purchaser will not be required to contribute any amount in excess of the sales price of all Registrable Shares sold by Purchaser pursuant to such registration statement, and (ii) no party guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any other party who was not guilty of such fraudulent misrepresentation.

(b) Promptly after receipt by a party of notice of the commencement of any action, suit or proceeding in connection with a public offering of Common Stock, such party will, if a claim for contribution in respect thereof is able to be made against another party, notify the contributing party of the commencement thereof. The omission to notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution under the Securities Act. In

case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party of the commencement thereof, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified.

4.12 "Market Stand-off" Agreement. Purchaser will not, to the extent requested by Seller or the underwriter(s) managing any underwritten offering of Seller's securities, sell, make any short sale of, loan, grant any option for the purchase of or otherwise transfer or dispose of any Shares (other than those included in the underwritten offering) without the prior written consent of Seller or such underwriters for such period of time as Seller or the underwriters may specify commencing up to 7 days before the anticipated effective date of an underwritten registration of Seller's securities and extending up to 120 days after that effective date. In order to enforce the foregoing, Seller may impose stop-transfer instructions with respect to the Shares.

V. ADDITIONAL COVENANTS

5.1 Restrictions on Transfer.

(a) Restriction. For a period of 3 years from the date of this Agreement, Purchaser covenants and agrees that it will not and it will cause each of its "Affiliates" (as hereinafter defined) to not directly or indirectly sell, tender, transfer, pledge, hypothecate or otherwise dispose of, or offer or agree to do any of the foregoing ("Transfer"), any interest in the Shares which may be owned "beneficially" (as that term is defined in Rule 13d-3 under the Exchange Act) or of record by it and such Affiliates, except:

(i) a Transfer to any person or entity who or which agrees to be bound by all the provisions of this Article V;

(ii) a Transfer to any person or entity who or which has made a tender offer for Seller's Common Stock, but only if the Board of Directors of Seller has recommended acceptance of such tender offer to the stockholders of Seller;

(iii) a Transfer to Seller or any of its Subsidiaries;

(iv) a Transfer to an Affiliate of Purchaser which is (or agrees to become) a party hereto;

(v) a Transfer which is a bona fide pledge of, or grant of a security interest in, the Shares to an institutional, commercial, or other bona fide lender (including without limitation any securities brokerage) for money borrowed;

(vi) a Transfer in connection with any registration statement of Seller that is declared effective during the term of this Article V and includes the Shares as a result of exercise of the registration rights granted pursuant to this Agreement; provided, however, that any such disposition by Purchaser or an underwriter pursuant to this Section 5.1(vi) will be made in a manner which (if pursuant to an underwritten offering, in the written opinion of the underwriter) is intended to effect a broad distribution with no Transfers of the Shares to any one "person" or "group" (as such terms are defined in and under Section 13(d) of the Exchange Act) if after such Transfers such person or group would beneficially hold in excess of 5 percent of Seller's Common Stock; or

(vii) a Transfer permitted pursuant to Rule 144 under the Securities Act; provided, that Purchaser will use its best efforts to effect as wide a distribution of the Shares as is reasonably practicable.

(b) Definition of Affiliate. For all purposes of this Agreement, when used with reference to Purchaser, the word "Affiliate" means any person directly or indirectly controlling, controlled by, or under direct or indirect control with, Purchaser or such other person, as the case may be. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative of the foregoing. For the purposes of this definition, "person" includes, without limitation, any individual, corporation, partnership, joint venture, trust, and any employee pension, profit sharing and other benefit plan and trust. As to any individual person, the term "person" means such individual's spouse, children, brothers and sisters.

5.2 No Transfer. Purchaser covenants and agrees that for a period of 3 years from the date of this Agreement, without Seller's prior written consent, it will not and it will cause each of its Affiliates to not Transfer or otherwise dispose of or encumber any of the Shares or any beneficial interest therein except as permitted pursuant to this Article V.

5.3 Legends and Stop Transfer Orders.

(a) Legend. During the term of the restrictions and covenants of this Article V each of the certificates representing the Shares will be registered in the name of Purchaser (except as hereinafter permitted), will be subject to stop transfer instructions, and will include substantially the following legend in addition to any other legends required by the terms of this Agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN LIMITATIONS ON TRANSFER SET FORTH IN A STOCK PURCHASE AGREEMENT, DATED MARCH 29, 1996, BETWEEN MICHAELS STORES, INC. AND LOCKE LIMITED, WHICH MAY BE APPLICABLE TO CERTAIN TRANSFEREES. A COPY OF SUCH AGREEMENT IS ON FILE WITH THE SECRETARY OF MICHAELS STORES, INC.

(b) Removal of Legend. Such stop transfer instructions and legend will be applicable to any disposition of the Shares other than pursuant to a public offering of the Shares permitted pursuant to Section 5.1(vi).

5.4 Term and Termination.

(a) Term. The term of these restrictions and covenants in this Article V will commence on the date hereof and will continue for a period of 3 years.

(b) Termination. Notwithstanding the foregoing, the restrictions and covenants in this Article V will terminate immediately if individuals who at the date hereof constituted the Board of Directors of Seller and any new director whose election by the Board or nomination for election by Seller's stockholders was approved by a vote of at least two-thirds of the directors then still in office, who either were directors at such date or whose election or nomination for election was previously so approved, have ceased for any reason to constitute a majority thereof.

5.5 Certain Actions. Purchaser agrees that for a period of 3 years from the date of this Agreement, except within the terms of a specific request from Seller, it will not propose or publicly announce or otherwise disclose an intent to propose, or enter into or agree to enter into, singly or with any other person or directly or indirectly, (a) any form of business combination, acquisition, or other transaction relating to Seller or any majority-owned affiliate thereof, (b) any form of restructuring, recapitalization or similar transaction with respect to Seller or any such affiliate, or (c) any demand, request or proposal to amend, waiver or terminate any provision of this Agreement, and except as aforesaid during such period, Purchaser will not (i) acquire, or offer, propose or agree to acquire by purchase or otherwise, any securities of Seller entitled to be voted generally in the election of directors of Seller or any direct or indirect options or other rights to acquire any such securities ("Voting Securities"), (ii) make, or in any way participate in, any solicitation of proxies with respect to any Voting Securities (including by the execution of action by written consent), become a participant in any election contest with respect to Seller, seek to influence any Person with respect to any Voting Securities or demand a copy of Seller's

list of its stockholders or other books and records, (iii) participate in or encourage the formation of any partnership, syndicate or other group which owns or seeks or offers to acquire beneficial ownership of any Voting Securities or which seeks to affect control of Seller or for the purpose of circumventing any provision of this Agreement, or (iv) otherwise act, alone or in concert with others (including by providing financing for another Person), to seek or to offer to control of influence, in any manner, the management, Board of Directors or policies of Seller.

5.6 Specific Performance. Purchaser acknowledges that Seller would be irreparably damaged and would not have an adequate remedy at law for money damages in the event that any of the covenants of Seller in this Article V were not performed in accordance with its terms or otherwise were materially breached. Purchaser therefore agrees that Seller will be entitled to an injunction or injunctions to prevent breaches of such performance and to specific enforcement of such covenants in addition to any other remedy to which it may be entitled, at law or in equity.

VI. MISCELLANEOUS

6.1 Confidentiality. The terms of this Agreement will remain confidential; provided, however, Seller may make such disclosure in any public filing or announcement as may be necessary to comply with applicable law.

6.2 Survival of Representations, Warranties and Covenants. Each of the representations, warranties and covenants in this Agreement will survive the consummation of the transactions contemplated in this Agreement.

6.3 Entire Agreement. This Agreement contains the entire agreement between Purchaser and Seller with respect to the transactions contemplated hereby and supersedes all prior agreements among the parties with respect to such matters.

6.4 Rights of the Parties. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and their permitted assigns any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

6.5 Further Assurances. From time to time, as and when requested by either party hereto, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary to consummate the transactions contemplated hereby.

6.6 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and to be performed in that State,

without giving effect to the principles of conflicts of law thereof.

6.7 Interpretation. For purposes of this Agreement, a "subsidiary" of a corporation means any corporation more than 50% of the outstanding voting securities of which are directly or indirectly owned by such other corporation. The descriptive headings contained herein are for convenience and reference only and will not effect in any way the meaning or interpretation of this Agreement.

6.8 Notices. All notices and other communications hereunder must be in writing and must be given (and will be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex, facsimile transmission or other standard form of telecommunications, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Seller:

Michaels Stores, Inc.
5931 Campus Circle Drive
Irving, Texas 75063
Attn: General Counsel
Fax No.: 214-714-1338

If to Purchaser:

Locke Limited
Aundyr Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
British Isles
Attention: K.A. Jones and N.J. Carter
Fax No.: 011-44-1624-624-469

or to such other address as any party may have furnished to the other parties in writing in accordance herewith.

6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original but all of which together will constitute but one agreement.

6.10 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but will not be assignable by any party without the prior written consent of the other party; provided that any such assignment will not relieve the assigning party from any of its obligations hereunder.

6.11 Expenses. Subject to Section 4.8 and 4.9 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expense.

6.12 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are consummated to the extent possible.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

SELLER:

MICHAELS STORES, INC.

By: R. Don Morris
Name: R. Don Morris
Title: Exec. V.P. and C.F.O

PURCHASER:

LOCKE LIMITED, an Isle of Man corporation

By: [signature]
Name: NIAMH FIELD-CORBETT
Title: DIRECTOR

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered as of March 29, 1996 between Michaels Stores, Inc., a Delaware corporation ("Seller") and Quayle Limited, an Isle of Man corporation ("Purchaser").

RECITAL

Seller desires to issue and sell to Purchaser, and Purchaser desires to purchase from Seller, 666,667 newly issued and outstanding shares (the "Shares") of Common Stock, par value $.10 per share, of Seller (the "Common Stock") on the terms and subject to the conditions set forth in this Agreement.

Seller and Purchaser hereby agree as follows:

I. PURCHASE AND SALE

1.1 Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined in Section 1.3) Seller will issue and sell to Purchaser, and Purchaser will purchase from Seller, the Shares.

1.2 Purchase Price. As consideration for the issuance of the Shares, Purchaser will pay to Seller at the Closing the aggregate amount equal to the product of (a) the number of Shares to be issued pursuant to this Agreement multiplied by (b) $12.50 per Share (the "Purchase Price")

1.3 The Closing.

(a) Subject to Section 1.4, the closing of the purchase and sale of the Shares hereunder (the "Closing") will take place on April 5, 1996 or such other date as Seller and Purchaser may agree (the "Closing Date").

(b) At the Closing, (i) Purchaser will pay to Seller the Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller and (ii) Seller will deliver to Purchaser a single certificate representing the Shares registered in the name of "Quayle Limited".

(c) At the Closing Seller will deliver to Purchaser, and Purchaser will deliver to Seller, a certificate confirming that their respective representations and warranties set forth in this Agreement are true and complete in all material respects on the Closing Date as if made on that date.

1.4 Condition to Closing.

(a) Notwithstanding anything to the contrary in this Agreement, the obligation of Seller to consummate the sale and purchase of the Shares contemplated hereby is subject to satisfaction of each of the following conditions:

(i) The Board of Directors of Seller shall have approved the sale of the Shares on or before the Closing Date.

(ii) The representations and warranties of Purchaser in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

(b) Notwithstanding anything to the contrary in this Agreement, the obligations of Purchaser to consummate the sale and purchase of the Shares contemplated hereby are subject to the condition that the representations and warranties made by Seller in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

II. REPRESENTATIONS AND WARRANTIES OF SELLER

2.1 Organization; Power and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Agreement and the performance by it of the transactions contemplated hereby to be performed by it have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation of Seller.

2.2 Capitalization. The authorized capital stock of Seller consists of (i) 50,000,000 shares of Common Stock, of which as of March 15, 1996, 21,617,025 shares were issued and outstanding, fully paid and nonassessable and no shares were held in the treasury, and (ii) 2,000,000 shares of preferred stock, $.10 par value per share, of which as of March 15, 1996, no shares were outstanding. Upon the issuance of the Shares to Purchaser and the payment to Seller of the Purchase Price, the Shares will be validly issued and outstanding, fully paid and nonassessable, and Purchaser will acquire good and valid title to the Shares, free and clear of any charges, liens or other encumbrances ("Encumbrances") of any kind. None of the Shares have been issued in violation of any preemptive rights, rights of first refusal or other acquisition rights.

2.3 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any court, governmental authority or other regulatory or administrative agency or commission, domestic or foreign ("Governmental Entity"), or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Seller.

2.4 SEC Reports; Financial Statements.

(a) Seller has delivered to Purchaser (i) its Annual Report on Form 10-K for the fiscal year ended January 29, 1995 and (ii) its Quarterly Reports on Form 10-Q for each of the fiscal quarters ended April 30, 1995, July 30, 1995 and October 29, 1995, respectively, each in the form (including exhibits) filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"). Each SEC Report has been prepared and filed in accordance with all applicable rules and regulations of the SEC and at the time of its filing was in compliance with such rules and regulations in all material respects. As of their respective dates, the SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the audited consolidated financial statements and unaudited consolidated interim financial statements of Seller (and the related notes and schedules) included in the SEC Reports present fairly, in all material respects, the consolidated financial position of Seller and its consolidated subsidiaries as of the respective dates thereof and the results of operations and cash flows for the respective periods set forth therein, in accordance with generally accepted accounting principles consistently applied during the period involved, except as otherwise noted therein and subject, in the case of the unaudited interim consolidated financial statements, to the omission of certain notes not ordinarily accompanying such unaudited interim consolidated financial statements and to normal year-end adjustments and any other adjustments described therein.

(c) Except as set forth in the SEC Reports, any other reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to Seller, and any public announcements made by Seller, since October 29, 1995 there has been no material adverse change in the

assets, earnings, financial position, business or prospects of Seller and its subsidiaries, considered as a whole.

2.5 No Broker; Finder; Etc. None of Seller or its directors, officers or employees has employed any investment banker, consultant, broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

3.1 Power and Authority. Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding obligation of Purchaser.

3.2 Purchase for Investment. Purchaser acknowledges that the Shares have not been registered under the Securities Act of 1933, as amended ("Securities Act"), or under any state or foreign securities laws. Purchaser is not an underwriter as such term is defined under the Securities Act, and is purchasing the Shares solely for investment with no present intention to distribute any of the Shares to any person or entity ("Person"). Purchaser will not sell or otherwise dispose of any of the Shares, except in accordance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder, and any other applicable securities laws. Purchaser further understands that the certificate representing the Shares will bear the following legend and agrees that it will hold the Shares subject thereto:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND MICHAELS STORES, INC. SHALL HAVE RECEIVED, AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO MICHAELS STORES, INC. (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO MICHAELS STORES, INC.).

3.3 Suitability and Sophistication. Purchaser represents and warrants that it (a) is an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act, (b) has such knowledge and experience in financial and business matters that it is capable of independently evaluating the risks and merits of purchasing the Shares, (c) has been provided with the opportunity to make a reasonable investigation of Seller, including the opportunity to make any inquiries and to request additional information necessary to its investment decision, and Seller has satisfactorily responded to any inquiries and furnished to Purchaser all requested information, (d) has independently evaluated the risks and merits of purchasing the Shares and has independently determined that the Shares are a suitable investment for it, and (e) has sufficient financial resources to bear the loss of its entire investment in the Shares.

3.4 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Purchaser is a party or by which Purchaser or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Purchaser.

3.5 No Agreements. Purchaser acknowledges that there are no agreements, arrangements, commitments or understandings relating to any of the Shares except pursuant to this Agreement.

3.6 No Broker; Finder; Etc. None of Purchaser or its directors, officers, agents or employees has employed any investment banker, consultant, broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

IV. REGISTRATION RIGHTS

4.1 Registration. Upon receipt of a written request (the "Registration Notice") by Purchaser at any time after one year from the date of this Agreement, Seller shall cause to be filed as soon as practicable a registration statement (a "Shelf Registration Statement") under the Securities Act on Form S-3 or any other appropriate form under the Securities Act for an offering to be made on a delayed or continuous basis pursuant to Rule 415 thereunder or any similar rule that may be adopted by the SEC and permitting sales in ordinary course brokerage or dealer transactions not involving an underwritten public offering (and shall register or qualify the shares to be sold in such

offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) covering no less than the aggregate number of Shares then held by Purchaser (those Shares together with any shares of Common Stock or other securities that may subsequently be issued with respect to the Shares as result of a stock split or dividend, reclassification, or combination of shares or any sale, transfer, assignment or other transaction by Seller or Purchaser involving the Shares and any securities into which the Shares may thereafter be changed as a result of merger, consolidation, or recapitalization or otherwise are referred to as the "Registrable Shares") so that the Registrable Shares will be included in an effective registration statement under the Securities Act. Seller shall use its reasonable efforts to cause the Shelf Registration Statement to be declared effective by the SEC on or before 90 days following Seller's receipt of the Registration Notice. Seller shall use its reasonable efforts to keep the Shelf Registration Statement continuously effective (and to register or qualify the shares to be sold in such offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) for so long as Purchaser holds any Registrable Shares or until Seller has caused to be delivered to Purchaser an opinion of counsel, which counsel shall be reasonably acceptable to Purchaser, stating that the Registrable Shares may be sold by Purchaser pursuant to Rule 144 without regard to any volume limitations and that Seller has satisfied the informational requirements of Rule 144. Seller shall file any necessary listing applications or amendments to existing applications to cause the Registrable Shares to be listed on the primary exchange or quotation system on which its shares of Common Stock are then listed, if any. Seller will use reasonable efforts to register or qualify the Registrable Shares under such other securities or "blue sky" laws of such jurisdictions as Purchaser may reasonably request and do any and all other acts and things that may be reasonably necessary or advisable to register or qualify for sale in such jurisdictions the Registrable Shares owned by Purchaser; provided that Seller shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified, (ii) subject itself to taxation in any such jurisdiction, (iii) consent to general service of process in any such jurisdiction, or (iv) provide any undertaking required by such other securities or "blue sky" laws or make any change in its charter or bylaws that the Board of Directors of Seller determines in good faith to be contrary to the best interest of Seller and its stockholders. Notwithstanding the foregoing, if Seller shall furnish to Purchaser a certificate signed by the chief executive officer of Seller stating that in the good faith judgment of the Board of Directors of Seller it would be significantly disadvantageous to Seller and its stockholders for the Shelf Registration Statement to be amended or supplemented, Seller may defer such amending or supplementing of such Shelf Registration Statement for not more than 45 days and in such event Purchaser shall be required to discontinue disposition of any Registrable Shares covered by such Shelf Registration Statement during such period.

4.2 Distribution of Registerable Securities. If Purchaser intends to distribute the Registerable Securities covered by the Shelf Registration Statement by means of an underwriting, Purchaser shall so advise Seller. In that event, the underwriting shall be managed by an underwriter or underwriters selected by Purchaser that are reasonably acceptable to Seller (which approval shall not unreasonably be withheld). Purchaser shall have the right to negotiate with the underwriters and to determine all terms of the underwriting, including the gross price and net price at which the Registrable Securities are to be sold. Seller shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected as above provided and any representations and warranties of Seller thereunder to and for the benefit of the underwriters shall also be made to and for the benefit of Purchaser. Seller will furnish to Purchaser and the underwriters (i) an opinion of counsel for Seller, addressed to Purchaser and the underwriters, dated the date of the closing under the underwriting agreement, and (ii) a "comfort letter" signed by the independent public accountants who have certified Seller's financial statements included in the Shelf Registration Statement, addressed to Purchaser and the underwriters; provided however, that (i) the opinion and "comfort letter" shall cover substantially the same matters with respect to the Shelf Registration Statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public secondary offerings and such other matters as Purchaser may reasonably request, and (ii) the "comfort letter" shall also cover events subsequent to the date of such financial statements.

4.3 Furnish Information. In connection with the Shelf Registration Statement, Purchaser will (a) cooperate with Seller to effect such registration and to maintain the effectiveness thereof, (b) promptly and accurately furnish any information reasonably requested by Seller concerning Purchaser and the proposed distribution by Purchaser, and (c) promptly comply with all applicable requirements of the Securities Act, the Exchange Act and any other applicable federal or state laws, including, but not limited to, furnishing Seller such information regarding Purchaser, the Shares held by it and the intended method of disposition of such securities as reasonably required in connection with the action to be taken by Seller pursuant to this Agreement.

4.4 Expenses of Registration. Seller will bear all expenses incurred in effecting any registration pursuant to this Agreement, including without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for Seller, blue sky fees and expenses, expenses of any regular or special audit incident to or required by any such registration, but will not include any expenses payable by Purchaser under this Section 4.4. Purchaser will pay in connection with any registration of its Shares any

underwriting discounts, selling commissions, fees or disbursements of Purchaser's counsel or of any advisor to Purchaser not retained by Seller, or fees and expenses incident to preparation of information by Purchaser, and expenses incurred in connection with the qualification of the Registrable Shares in a jurisdiction that requires those expenses to be paid by a selling shareholder.

4.5 Registration Procedure.

(a) Seller will keep Purchaser advised in writing of the initiation and the completion of each registration, qualification and compliance effected by Seller under this Agreement.

(b) At its expense, Seller will:

(i) prepare and file with the SEC such amendments and supplements to the Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Shelf Registration Statement effective for the period described in Section 4.1(a) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of the Registrable Securities whenever the Purchaser shall desire to sell or otherwise dispose of the Registrable Securities within that period;

(ii) furnish to Purchaser and any underwriters such numbers of copies of the Shelf Registration Statement, amendments and supplements thereto, the prospectus included in the Shelf Registration Statement including any preliminary prospectus, and any amendments or supplements thereto, and such other documents, as Purchaser and any underwriters may reasonably request in order to facilitate the sale or other disposition of the Registrable Securities;

(iii) use its reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act; and

(iv) notify Purchaser at any time when a prospectus relating to the Registrable Securities is required to be delivered under the Securities Act, of the happening of any event of which Seller has knowledge as a result of which the prospectus included in the Shelf Registration Statement, as then in effect, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

4.6 Postponement of Registration. If after any registration statement including Registrable Shares has become effective there exists in the opinion of Seller's management material non-public information about Seller which has not been released and which, in the reasonable opinion of Seller's management, would not be advisable to release, then upon receipt of notice from Seller, Purchaser will not offer or sell or permit to be offered or sold any of the Registrable Shares for such time as Seller believes such condition is continuing. If the offering is not completed because of Seller's exercise of its rights hereunder, Seller will reimburse Purchaser for all of its expenses incurred in connection with the terminated offering.

4.7 Indemnification by Seller.

(a) Seller will indemnify Purchaser, its directors, officers, employees, and agents, and any person controlling the Purchaser (within the meaning of the Securities Act) and each underwriter, if any, of the Registrable Shares and each person controlling that underwriter (within the meaning of the Securities Act), against all claims, losses, expenses, damages, liabilities and actions ("Claims) in respect of Claims (including any Claim incurred in settlement of any litigation, commenced or threatened) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, or any amendment or supplement thereto, or any notification or the like incident to any such registration, or any amendment or supplement thereto, or any qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or related registration statement incident to such registration, qualification or compliance, a material fact required to be stated in it or necessary to make that statement in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Seller of any rule or regulation promulgated under the Securities Act applicable to Seller and relating to action or inaction required of Seller in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this Section 4.7(a) will not apply (A) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (B) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, or any underwriter (or to the benefit of any person who controls Purchaser or such underwriter within the meaning of the Securities Act) from whom the person asserting the Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time

such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon (1) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (2) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (3) any violation or alleged violation by Seller of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law (collectively a "Violation") which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a Claim by Purchaser under this Section 4.7(a)) or such underwriter or controlling person (with respect to a Claim by such underwriter or controlling person under this Section 4.7(a)).

(b) Seller will reimburse Purchaser, its directors, officers, employees, agents, and controlling person and each such underwriter or controlling person for any legal or any other expenses reasonably incurred in connection with investigating or defending any Claim; provided, however, that the reimbursement provisions contained in this Section 4.7(b) will not apply (i) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, and controlling person or any underwriter (or to the benefit of any person who controls such underwriter within the meaning of the Securities Act) from whom the person asserting any Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented ~~and provided to Purchaser) was not~~ sent or given to such person through no fault of Seller at or prior to the time such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a claim for reimbursement by Purchaser, its directors, officers, employees, agents, and controlling person under this Section 4.7(b)) or such underwriter or controlling person (with respect to a claim for reimbursement by such underwriter or controlling person under this Section 4.7(b)).

4.8 Indemnification by Purchaser.

(a) Purchaser hereby indemnifies Seller, its directors, officers, employees, agents, and any person controlling Seller (within the meaning of the Securities Act) each underwriter, if any, of Seller's securities covered by such registration statement, each person who controls that underwriter (within the meaning of the Securities Act) against all Claims (including any Claim incurred in settlement of any litigation commenced or settled) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, notification or the like, incident to such registration, qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or any related registration statement, qualification or compliance, a material fact required to be stated in it or necessary to make the statement(s) in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Purchaser of any rule or regulation promulgated under the Securities Act applicable to Purchaser and relating to action or inaction required of Purchaser in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this Section 4.8(a) will apply to any Claim only to the extent that it arises out of or is based upon a Violation which occurs solely in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser, and provided further that Purchaser will have no liability hereunder if (A) any such written information contained an untrue statement or omission or alleged untrue statement or omission that was subsequently corrected in writing by Purchaser and furnished to Seller or the underwriter in sufficient time for incorporation into the final prospectus, or (B) Seller pays any amounts in settlement of any such Claim if such settlement is effected without the consent of Purchaser (which consent will not be unreasonably withheld).

(b) Purchaser will reimburse Seller and its directors, officers, employees, agents and controlling person (within the meaning of the Securities Act) each underwriter, and each person controlling that underwriter (within the meaning of the Securities Act) for any legal or any other expenses reasonably incurred in connection with investigating or defending any such Claim; provided, however, that the reimbursement provisions contained in this Section 4.8(b) will apply to any such Claim only to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser.

4.9 Notice. Promptly after receipt by an indemnified party under Section 4.7 or 4.8 of notice of the commencement of any action (including, but not limited to, any action by a

Governmental Entity), such indemnified party will, if a Claim in respect thereof is to be made against any indemnifying party under Sections 4.7 or 4.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party will have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties and the indemnified party will bear the fees and expenses of any additional counsel thereafter retained by it; provided, however, that indemnified parties will have the right to retain counsel to represent all indemnified parties, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified parties by the counsel retained by the indemnifying party would be inappropriate due to actual or potential material differing interests between such indemnified parties and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, will relieve such indemnifying party of any liability to the indemnified party under Section 4.7 or 4.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under Section 4.7 or 4.8.

4.11 Contribution.

(a) If for any reason the indemnification provided for in Section 4.7 or 4.8 is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by such sections, then the indemnifying party will contribute to the amount paid or payable by the indemnified party as a result of any Claim in such proportion as is appropriate to reflect not only the relative benefits received by the indemnified party and the indemnifying party, but also the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations; provided, however, that, in any such case, (i) Purchaser will not be required to contribute any amount in excess of the sales price of all Registrable Shares sold by Purchaser pursuant to such registration statement, and (ii) no party guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any other party who was not guilty of such fraudulent misrepresentation.

(b) Promptly after receipt by a party of notice of the commencement of any action, suit or proceeding in connection with a public offering of Common Stock, such party will, if a claim for contribution in respect thereof is able to be made against another party, notify the contributing party of the commencement thereof. The omission to notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution under the Securities Act. In

case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party of the commencement thereof, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified.

4.12 "Market Stand-off" Agreement. Purchaser will not, to the extent requested by Seller or the underwriter(s) managing any underwritten offering of Seller's securities, sell, make any short sale of, loan, grant any option for the purchase of or otherwise transfer or dispose of any Shares (other than those included in the underwritten offering) without the prior written consent of Seller or such underwriters for such period of time as Seller or the underwriters may specify commencing up to 7 days before the anticipated effective date of an underwritten registration of Seller's securities and extending up to 120 days after that effective date. In order to enforce the foregoing, Seller may impose stop-transfer instructions with respect to the Shares.

V. ADDITIONAL COVENANTS

5.1 Restrictions on Transfer.

(a) Restriction. For a period of 3 years from the date of this Agreement, Purchaser covenants and agrees that it will not and it will cause each of its "Affiliates" (as hereinafter defined) to not directly or indirectly sell, tender, transfer, pledge, hypothecate or otherwise dispose of, or offer or agree to do any of the foregoing ("Transfer"), any interest in the Shares which may be owned "beneficially" (as that term is defined in Rule 13d-3 under the Exchange Act) or of record by it and such Affiliates, except:

(i) a Transfer to any person or entity who or which agrees to be bound by all the provisions of this Article V;

(ii) a Transfer to any person or entity who or which has made a tender offer for Seller's Common Stock, but only if the Board of Directors of Seller has recommended acceptance of such tender offer to the stockholders of Seller;

(iii) a Transfer to Seller or any of its Subsidiaries;

(iv) a Transfer to an Affiliate of Purchaser which is (or agrees to become) a party hereto;

(v) a Transfer which is a bona fide pledge of, or grant of a security interest in, the Shares to an institutional, commercial, or other bona fide lender (including without limitation any securities brokerage) for money borrowed;

(vi) a Transfer in connection with any registration statement of Seller that is declared effective during the term of this Article V and includes the Shares as a result of exercise of the registration rights granted pursuant to this Agreement; provided, however, that any such disposition by Purchaser or an underwriter pursuant to this Section 5.1(vi) will be made in a manner which (if pursuant to an underwritten offering, in the written opinion of the underwriter) is intended to effect a broad distribution with no Transfers of the Shares to any one "person" or "group" (as such terms are defined in and under Section 13(d) of the Exchange Act) if after such Transfers such person or group would beneficially hold in excess of 5 percent of Seller's Common Stock; or

(vii) a Transfer permitted pursuant to Rule 144 under the Securities Act; provided, that Purchaser will use its best efforts to effect as wide a distribution of the Shares as is reasonably practicable.

(b) Definition of Affiliate. For all purposes of this Agreement, when used with reference to Purchaser, the word "Affiliate" means any person directly or indirectly controlling, controlled by, or under direct or indirect control with, Purchaser or such other person, as the case may be. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative of the foregoing. For the purposes of this definition, "person" includes, without limitation, any individual, corporation, partnership, joint venture, trust, and any employee pension, profit sharing and other benefit plan and trust. As to any individual person, the term "person" means such individual's spouse, children, brothers and sisters.

5.2 No Transfer. Purchaser covenants and agrees that for a period of 3 years from the date of this Agreement, without Seller's prior written consent, it will not and it will cause each of its Affiliates to not Transfer or otherwise dispose of or encumber any of the Shares or any beneficial interest therein except as permitted pursuant to this Article V.

5.3 Legends and Stop Transfer Orders.

(a) Legend. During the term of the restrictions and covenants of this Article V each of the certificates representing the Shares will be registered in the name of Purchaser (except as hereinafter permitted), will be subject to stop transfer instructions, and will include substantially the following legend in addition to any other legends required by the terms of this Agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN LIMITATIONS ON TRANSFER SET FORTH IN A STOCK PURCHASE AGREEMENT, DATED MARCH 29, 1996, BETWEEN MICHAELS STORES, INC. AND QUAYLE LIMITED, WHICH MAY BE APPLICABLE TO CERTAIN TRANSFEREES. A COPY OF SUCH AGREEMENT IS ON FILE WITH THE SECRETARY OF MICHAELS STORES, INC.

(b) Removal of Legend. Such stop transfer instructions and legend will be applicable to any disposition of the Shares other than pursuant to a public offering of the Shares permitted pursuant to Section 5.1(vi).

5.4 Term and Termination.

(a) Term. The term of these restrictions and covenants in this Article V will commence on the date hereof and will continue for a period of 3 years.

(b) Termination. Notwithstanding the foregoing, the restrictions and covenants in this Article V will terminate immediately if individuals who at the date hereof constituted the Board of Directors of Seller and any new director whose election by the Board or nomination for election by Seller's stockholders was approved by a vote of at least two-thirds of the directors then still in office, who either were directors at such date or whose election or nomination for election was previously so approved, have ceased for any reason to constitute a majority thereof.

5.5 Certain Actions. Purchaser agrees that for a period of 3 years from the date of this Agreement, except within the terms of a specific request from Seller, it will not propose or publicly announce or otherwise disclose an intent to propose, or enter into or agree to enter into, singly or with any other person or directly or indirectly, (a) any form of business combination, acquisition, or other transaction relating to Seller or any majority-owned affiliate thereof, (b) any form of restructuring, recapitalization or similar transaction with respect to Seller or any such affiliate, or (c) any demand, request or proposal to amend, waiver or terminate any provision of this Agreement, and except as aforesaid during such period, Purchaser will not (i) acquire, or offer, propose or agree to acquire by purchase or otherwise, any securities of Seller entitled to be voted generally in the election of directors of Seller or any direct or indirect options or other rights to acquire any such securities ("Voting Securities"), (ii) make, or in any way participate in, any solicitation of proxies with respect to any Voting Securities (including by the execution of action by written consent), become a participant in any election contest with respect to Seller, seek to influence any Person with respect to any Voting Securities or demand a copy of Seller's

list of its stockholders or other books and records, (iii) participate in or encourage the formation of any partnership, syndicate or other group which owns or seeks or offers to acquire beneficial ownership of any Voting Securities or which seeks to affect control of Seller or for the purpose of circumventing any provision of this Agreement, or (iv) otherwise act, alone or in concert with others (including by providing financing for another Person), to seek or to offer to control of influence, in any manner, the management, Board of Directors or policies of Seller.

5.6 Specific Performance. Purchaser acknowledges that Seller would be irreparably damaged and would not have an adequate remedy at law for money damages in the event that any of the covenants of Seller in this Article V were not performed in accordance with its terms or otherwise were materially breached. Purchaser therefore agrees that Seller will be entitled to an injunction or injunctions to prevent breaches of such performance and to specific enforcement of such covenants in addition to any other remedy to which it may be entitled, at law or in equity.

VI. MISCELLANEOUS

6.1 Confidentiality. The terms of this Agreement will remain confidential; provided, however, Seller may make such disclosure in any public filing or announcement as may be necessary to comply with applicable law.

6.2 Survival of Representations, Warranties and Covenants. Each of the representations, warranties and covenants in this Agreement will survive the consummation of the transactions contemplated in this Agreement.

6.3 Entire Agreement. This Agreement contains the entire agreement between Purchaser and Seller with respect to the transactions contemplated hereby and supersedes all prior agreements among the parties with respect to such matters.

6.4 Rights of the Parties. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and their permitted assigns any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

6.5 Further Assurances. From time to time, as and when requested by either party hereto, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary to consummate the transactions contemplated hereby.

6.6 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and to be performed in that State,

without giving effect to the principles of conflicts of law thereof.

6.7 Interpretation. For purposes of this Agreement, a "subsidiary" of a corporation means any corporation more than 50% of the outstanding voting securities of which are directly or indirectly owned by such other corporation. The descriptive headings contained herein are for convenience and reference only and will not effect in any way the meaning or interpretation of this Agreement.

6.8 Notices. All notices and other communications hereunder must be in writing and must be given (and will be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex, facsimile transmission or other standard form of telecommunications, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Seller:

Michaels Stores, Inc.
5931 Campus Circle Drive
Irving, Texas 75063
Attn: General Counsel
Fax No.: 214-714-1338

If to Purchaser:

Quayle Limited
c/o MeesPierson (Isle of Man) Limited
18-20 North Quay
Douglas, Isle of Man
British Isles
Attention: Andrew Wallis
Fax No.: 011-44-1624-688-334

or to such other address as any party may have furnished to the other parties in writing in accordance herewith.

6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original but all of which together will constitute but one agreement.

6.10 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but will not be assignable by any party without the prior written consent of the other party; provided that any such assignment will not relieve the assigning party from any of its obligations hereunder.

6.11 Expenses. Subject to Section 4.7 and 4.8 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expense.

6.12 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are consummated to the extent possible.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

SELLER:

MICHAELS STORES, INC.

By: R. Don Morris
Name: R. Don Morris
Title: Exec. V.P. and CFO

PURCHASER:

QUAYLE LIMITED, an Isle of Man corporation

By:
Name: FRANCIS WEBB
Title: DIRECTOR

Siobhán Kennedy
SIOBHÁN KENNEDY
DIRECTOR

THE SECURITIES REPRESENTED BY THIS OPTION HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER THAT ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND SELLER SHALL HAVE RECEIVED, AT THE EXPENSES OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO SELLER (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO SELLER).

OPTION AGREEMENT

This OPTION AGREEMENT (this "Agreement") is made and entered as of December 23, 1996 between Michaels Stores, Inc., a Delaware corporation ("Seller") and Devotion Limited, an Isle of Man corporation ("Purchaser").

RECITAL

Seller desires to grant and sell to Purchaser, and Purchaser desires to purchase from Seller, the option to acquire 1,333,333 newly issued and outstanding shares (the "Option Shares") of Common Stock, par value $.10 per share, of Seller (the "Common Stock") on the terms and subject to the conditions set forth in this Agreement.

Seller and Purchaser hereby agree as follows:

I. OPTION GRANT

1.1 Option. In exchange for $0.50 per Option Share (the "Option Grant Price"), Seller hereby irrevocably grants to Purchaser an option (the "Option") to purchase the Option Shares at $10.50 per Option Share (the "Option Price"). The Option will terminate and will no longer be in effect after 5:00 p.m. Central Time on February 28, 1997 (the "Option Expiration Time").

1.2 Exercise of Option. The Option may be exercised, in whole or in part, at any time, or from time to time, from this date to the Option Expiration Time (the "Option Period"). If at any time, or from time to time, Purchaser wishes to exercise the Option, in whole or in part, Purchaser will notify Seller in writing (each an "Option Notice") of the number of Option Shares for which the Option is being exercised.

1.3 Option Price. If Purchaser exercises the Option pursuant to Section 1.2, Purchaser will pay to Seller at the Closing (as defined below) the aggregate amount equal to the product of (a) the number of Option Shares that are the subject of the related Option Notice multiplied by (b) the Option Price less the Option Grant Price (the "Purchase Price").

1.4 The Closing.

(a) Subject to Section 1.5, the closing of the purchase and sale of the Option Shares under this Agreement (the "Closing") will take place on the date five business days after the

Seller has delivered an Option Notice or such other date as Seller and Purchaser may agree (the "Closing Date").

(b) At the Closing, (i) Purchaser will pay to Seller the Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller and (ii) Seller will deliver to Purchaser a single certificate representing the Option Shares registered in the name of "Devotion Limited".

(c) At the Closing Seller will deliver to Purchaser, and Purchaser will deliver to Seller, a certificate confirming that their respective representations and warranties set forth in this Agreement are true and complete in all material respects on the Closing Date as if made on that date.

1.5 Condition to Closing.

(a) Notwithstanding anything to the contrary in this Agreement, the obligation of Seller to consummate the sale and purchase of the Option Shares contemplated hereby is subject to satisfaction of each of the following conditions:

(i) The Board of Directors of Seller shall have approved the sale of the Option Shares on or before the Closing Date.

(ii) The representations and warranties of Purchaser in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

(b) Notwithstanding anything to the contrary in this Agreement, the obligations of Purchaser to consummate the sale and purchase of the Option Shares contemplated hereby are subject to the condition that the representations and warranties made by Seller in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

II. REPRESENTATIONS AND WARRANTIES OF SELLER

2.1 Organization; Power and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Agreement and the performance by it of the transactions contemplated hereby to be performed by it have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation of Seller.

2.2 Capitalization. The authorized capital stock of Seller consists of (i) 50,000,000 shares of Common Stock, of which as of December 10, 1996, 23,560,592 shares were issued and outstanding, fully paid and nonassessable and no shares were held in the treasury, and (ii) 2,000,000 shares of preferred stock, $.10 par value per share, of which as of December 10, 1996, no shares were outstanding. Upon the issuance of the Option Shares to Purchaser and the payment to Seller of the Purchase Price, the Option Shares will be validly issued and outstanding, fully paid and nonassessable, and Purchaser will acquire good and valid title to the Option Shares, free and clear of any charges, liens or other encumbrances ("Encumbrances") of any kind. Neither the granting of the Option or issuing any of the Option Shares will violate any preemptive rights, rights of first refusal or other acquisition rights.

2.3 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any court, governmental authority or other regulatory or administrative agency or commission, domestic or foreign ("Governmental Entity"), or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Seller.

2.4 SEC Reports; Financial Statements.

(a) Seller has delivered to Purchaser (i) its Annual Report on Form 10-K for the fiscal year ended January 28, 1996 and (ii) its Quarterly Reports on Form 10-Q for each of the fiscal quarters ended April 28, 1996, July 28, 1996 and October 27, 1996, respectively, each in the form (including exhibits) filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"). Each SEC Report has been prepared and filed in accordance with all applicable rules and regulations of the SEC and at the time of its filing was in compliance with such rules and regulations in all material respects. As of their respective dates, the SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the audited consolidated financial statements and unaudited consolidated interim financial statements of Seller (and the related notes and schedules) included in the SEC Reports present fairly, in all material respects, the consolidated financial position of Seller and its consolidated subsidiaries as of the respective dates thereof and the results of operations and cash flows for the respective periods set forth therein, in accordance with generally accepted accounting principles consistently applied during the period involved, except as otherwise noted therein and subject, in the case of the unaudited interim consolidated financial statements, to the omission of certain notes not ordinarily accompanying such unaudited interim consolidated financial statements and to normal year-end adjustments and any other adjustments described therein.

(c) Except as set forth in the SEC Reports, any other reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to Seller, and any public announcements made by Seller, since October 27, 1996 there has been no material adverse change in the assets, earnings, financial position, business or prospects of Seller and its subsidiaries, considered as a whole.

2.5 No Broker; Finder; Etc. None of Seller or its directors, officers or employees has employed any investment banker, consultant, broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

3.1 Purchase for Investment. Purchaser acknowledges that the Option and the Option Shares have not been registered under the Securities Act of 1933, as amended ("Securities Act"), or under any state or foreign securities laws. Purchaser is not an underwriter as such term is defined

under the Securities Act, and is purchasing the Option Shares solely for investment with no present intention to distribute any of the Option Shares to any person or entity ("Person"). Purchaser will not sell or otherwise dispose of any of the Option Shares, except in accordance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder, and any other applicable securities laws. Purchaser further understands that the certificate representing the Option Shares will bear the following legend and agrees that it will hold the Option Shares subject thereto:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER THAT ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND MICHAELS STORES, INC. SHALL HAVE RECEIVED, AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO MICHAELS STORES, INC. (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO MICHAELS STORES, INC.).

3.2 Suitability and Sophistication. Purchaser represents and warrants that it (a) is an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act, (b) has such knowledge and experience in financial and business matters that it is capable of independently evaluating the risks and merits of purchasing the Option and the Option Shares, (c) has been provided with the opportunity to make a reasonable investigation of Seller, including the opportunity to make any inquiries and to request additional information necessary to its investment decision, and Seller has satisfactorily responded to any inquiries and furnished to Purchaser all requested information, (d) has independently evaluated the risks and merits of purchasing the Option and the Option Shares and has independently determined that the Option Shares are a suitable investment for it, and (e) has sufficient financial resources to bear the loss of its entire investment in the Option and the Option Shares.

3.3 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Purchaser is a party or by which Purchaser or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Purchaser.

3.4 No Agreements. Purchaser acknowledges that there are no agreements, arrangements, commitments or understandings relating to any of the Option Shares except pursuant to this Agreement.

3.5 No Broker; Finder; Etc. None of Purchaser or its directors, officers, agents or employees has employed any investment banker, consultant, broker or finder or incurred any liability

for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

IV. REGISTRATION RIGHTS

4.1 Registration. Upon receipt of a written request (the "Registration Notice") by Purchaser at any time after one year from the date of the initial Closing, Seller shall cause to be filed as soon as practicable a registration statement (a "Shelf Registration Statement") under the Securities Act on Form S-3 or any other appropriate form under the Securities Act for an offering to be made on a delayed or continuous basis pursuant to Rule 415 thereunder or any similar rule that may be adopted by the SEC and permitting sales in ordinary course brokerage or dealer transactions not involving an underwritten public offering (and shall register or qualify the shares to be sold in such offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) covering no less than the aggregate number of Option Shares then held by Purchaser (those Option Shares together with any shares of Common Stock or other securities that may subsequently be issued with respect to the Option Shares as result of a stock split or dividend, reclassification, or combination of shares or any sale, transfer, assignment or other transaction by Seller or Purchaser involving the Option Shares and any securities into which the Option Shares may thereafter be changed as a result of merger, consolidation, or recapitalization or otherwise are referred to as the "Registrable Shares") so that the Registrable Shares will be included in an effective registration statement under the Securities Act. Seller shall use its reasonable efforts to cause the Shelf Registration Statement to be declared effective by the SEC on or before 90 days following Seller's receipt of the Registration Notice. Seller shall use its reasonable efforts to keep the Shelf Registration Statement continuously effective (and to register or qualify the shares to be sold in such offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) for so long as Purchaser holds any Registrable Shares or until Seller has caused to be delivered to Purchaser an opinion of counsel, which counsel shall be reasonably acceptable to Purchaser, stating that the Registrable Shares may be sold by Purchaser pursuant to Rule 144 without regard to any volume limitations and that Seller has satisfied the informational requirements of Rule 144. Seller shall file any necessary listing applications or amendments to existing applications to cause the Registrable Shares to be listed on the primary exchange or quotation system on which its shares of Common Stock are then listed, if any. Seller will use reasonable efforts to register or qualify the Registrable Shares under such other securities or "blue sky" laws of such jurisdictions as Purchaser may reasonably request and do any and all other acts and things that may be reasonably necessary or advisable to register or qualify for sale in such jurisdictions the Registrable Shares owned by Purchaser; provided that Seller shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified, (ii) subject itself to taxation in any such jurisdiction, (iii) consent to general service of process in any such jurisdiction, or (iv) provide any undertaking required by such other securities or "blue sky" laws or make any change in its charter or bylaws that the Board of Directors of Seller determines in good faith to be contrary to the best interest of Seller and its stockholders. Notwithstanding the foregoing, if Seller shall furnish to Purchaser a certificate signed by the chief executive officer of Seller stating that in the good faith judgment of the Board of Directors of Seller it would be significantly disadvantageous to Seller and its stockholders for the Shelf Registration Statement to be amended or supplemented, Seller may defer such amending or supplementing of such Shelf Registration Statement for not more than 45 days and in such event Purchaser shall be required to discontinue disposition of any Registrable Shares covered by such Shelf Registration Statement during such period.

4.2 Distribution of Registrable Shares. If Purchaser intends to distribute the Registrable Shares covered by the Shelf Registration Statement by means of an underwriting, Purchaser shall so advise Seller. In that event, the underwriting shall be managed by an underwriter or underwriters selected by Purchaser that are reasonably acceptable to Seller (which approval shall not unreasonably be withheld). Purchaser shall have the right to negotiate with the underwriters and to determine all terms of the underwriting, including the gross price and net price at which the Registrable Shares are to be sold. Seller shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected as above provided and any representations and warranties of Seller thereunder to and for the benefit of the underwriters shall also be made to and for the benefit of Purchaser. Seller will furnish to Purchaser and the underwriters (i) an opinion of counsel for Seller, addressed to Purchaser and the underwriters, dated the date of the closing under the underwriting agreement, and (ii) a "comfort letter" signed by the independent public accountants who have certified Seller's financial statements included in the Shelf Registration Statement, addressed to Purchaser and the underwriters; provided however, that (i) the opinion and "comfort letter" shall cover substantially the same matters with respect to the Shelf Registration Statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public secondary offerings and such other matters as Purchaser may reasonably request, and (ii) the "comfort letter" shall also cover events subsequent to the date of such financial statements.

4.3 Furnish Information. In connection with the Shelf Registration Statement, Purchaser will (a) cooperate with Seller to effect such registration and to maintain the effectiveness thereof, (b) promptly and accurately furnish any information reasonably requested by Seller concerning Purchaser and the proposed distribution by Purchaser, and (c) promptly comply with all applicable requirements of the Securities Act, the Exchange Act and any other applicable federal or state laws, including, but not limited to, furnishing Seller such information regarding Purchaser, the Registrable Shares held by it and the intended method of disposition of such securities as reasonably required in connection with the action to be taken by Seller pursuant to this Agreement.

4.4 Expenses of Registration. Seller will bear all expenses incurred in effecting any registration pursuant to this Agreement, including without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for Seller, blue sky fees and expenses, expenses of any regular or special audit incident to or required by any such registration, but will not include any expenses payable by Purchaser under this Section 4.4. Purchaser will pay in connection with any registration of its Registrable Shares any underwriting discounts, selling commissions, fees or disbursements of Purchaser's counsel or of any advisor to Purchaser not retained by Seller, or fees and expenses incident to preparation of information by Purchaser, and expenses incurred in connection with the qualification of the Registrable Shares in a jurisdiction that requires those expenses to be paid by a selling shareholder.

4.5 Registration Procedure.

(a) Seller will keep Purchaser advised in writing of the initiation and the completion of each registration, qualification and compliance effected by Seller under this Agreement.

(b) At its expense, Seller will:

(i) prepare and file with the SEC such amendments and supplements to the Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Shelf Registration Statement effective for the period described in Section

4.1(a) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of the Registrable Shares whenever the Purchaser shall desire to sell or otherwise dispose of the Registrable Shares within that period;

(ii) furnish to Purchaser and any underwriters such numbers of copies of the Shelf Registration Statement, amendments and supplements thereto, the prospectus included in the Shelf Registration Statement including any preliminary prospectus, and any amendments or supplements thereto, and such other documents, as Purchaser and any underwriters may reasonably request in order to facilitate the sale or other disposition of the Registrable Shares;

(iii) use its reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act; and

(iv) notify Purchaser at any time when a prospectus relating to the Registrable Shares is required to be delivered under the Securities Act, of the happening of any event of which Seller has knowledge as a result of which the prospectus included in the Shelf Registration Statement, as then in effect, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

4.6 Postponement of Registration. If after any registration statement including Registrable Shares has become effective there exists in the opinion of Seller's management material non-public information about Seller which has not been released and which, in the reasonable opinion of Seller's management, would not be advisable to release, then upon receipt of notice from Seller, Purchaser will not offer or sell or permit to be offered or sold any of the Registrable Shares for such time as Seller believes such condition is continuing. If the offering is not completed because of Seller's exercise of its rights hereunder, Seller will reimburse Purchaser for all of its expenses incurred in connection with the terminated offering.

4.7 Indemnification by Seller.

(a) Seller will indemnify Purchaser, its directors, officers, employees, and agents, and any person controlling the Purchaser (within the meaning of the Securities Act) and each underwriter, if any, of the Registrable Shares and each person controlling that underwriter (within the meaning of the Securities Act), against all claims, losses, expenses, damages, liabilities and actions ("Claims") in respect of Claims (including any Claim incurred in settlement of any litigation, commenced or threatened) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, or any amendment or supplement thereto, or any notification or the like incident to any such registration, or any amendment or supplement thereto, or any qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or related registration statement incident to such registration, qualification or compliance, a material fact required to be stated in it or necessary to make that statement in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Seller of any rule or regulation promulgated under the Securities Act applicable to Seller and relating to action or inaction required of Seller in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this

Section 4.7(a) will not apply (A) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (B) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, or any underwriter (or to the benefit of any person who controls Purchaser or such underwriter within the meaning of the Securities Act) from whom the person asserting the Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon (1) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (2) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (3) any violation or alleged violation by Seller of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law (collectively a "Violation") which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a Claim by Purchaser under this Section 4.7(a)) or such underwriter or controlling person (with respect to a Claim by such underwriter or controlling person under this Section 4.7(a)).

(b) Seller will reimburse Purchaser, its directors, officers, employees, agents, and controlling person and each such underwriter or controlling person for any legal or any other expenses reasonably incurred in connection with investigating or defending any Claim; provided, however, that the reimbursement provisions contained in this Section 4.7(b) will not apply (i) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, and controlling person or any underwriter (or to the benefit of any person who controls such underwriter within the meaning of the Securities Act) from whom the person asserting any Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a claim for reimbursement by Purchaser, its directors, officers, employees, agents, and controlling person under this Section 4.7(b)) or such underwriter or controlling person (with respect to a claim for reimbursement by such underwriter or controlling person under this Section 4.7(b)).

4.8 Indemnification by Purchaser.

(a) Purchaser hereby indemnifies Seller, its directors, officers, employees, agents, and any person controlling Seller (within the meaning of the Securities Act) each underwriter, if any, of Seller's securities covered by such registration statement, each person who controls that underwriter (within the meaning of the Securities Act) against all Claims (including any Claim

incurred in settlement of any litigation commenced or settled) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, notification or the like, incident to such registration, qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or any related registration statement, qualification or compliance, a material fact required to be stated in it or necessary to make the statement(s) in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Purchaser of any rule or regulation promulgated under the Securities Act applicable to Purchaser and relating to action or inaction required of Purchaser in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this Section 4.8(a) will apply to any Claim only to the extent that it arises out of or is based upon a Violation which occurs solely in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser, and provided further that Purchaser will have no liability hereunder if (A) any such written information contained an untrue statement or omission or alleged untrue statement or omission that was subsequently corrected in writing by Purchaser and furnished to Seller or the underwriter in sufficient time for incorporation into the final prospectus, or (B) Seller pays any amounts in settlement of any such Claim if such settlement is effected without the consent of Purchaser (which consent will not be unreasonably withheld).

(b) Purchaser will reimburse Seller and its directors, officers, employees, agents and controlling person (within the meaning of the Securities Act) each underwriter, and each person controlling that underwriter (within the meaning of the Securities Act) for any legal or any other expenses reasonably incurred in connection with investigating or defending any such Claim; provided, however, that the reimbursement provisions contained in this Section 4.8(b) will apply to any such Claim only to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser.

4.9 Notice. Promptly after receipt by an indemnified party under Section 4.7 or 4.8 of notice of the commencement of any action (including, but not limited to, any action by a Governmental Entity), such indemnified party will, if a Claim in respect thereof is to be made against any indemnifying party under Sections 4.7 or 4.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party will have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties and the indemnified party will bear the fees and expenses of any additional counsel thereafter retained by it; provided, however, that indemnified parties will have the right to retain counsel to represent all indemnified parties, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified parties by the counsel retained by the indemnifying party would be inappropriate due to actual or potential material differing interests between such indemnified parties and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, will relieve such indemnifying party of any liability to the indemnified party under Section 4.7 or 4.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under Section 4.7 or 4.8.

4.10 Contribution.

(a) If for any reason the indemnification provided for in Section 4.7 or 4.8 is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by such sections, then the indemnifying party will contribute to the amount paid or payable by the indemnified party as a result of any Claim in such proportion as is appropriate to reflect not only the relative benefits received by the indemnified party and the indemnifying party, but also the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations; provided, however, that, in any such case, (i) Purchaser will not be required to contribute any amount in excess of the sales price of all Registrable Shares sold by Purchaser pursuant to such registration statement, and (ii) no party guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any other party who was not guilty of such fraudulent misrepresentation.

(b) Promptly after receipt by a party of notice of the commencement of any action, suit or proceeding in connection with a public offering of Common Stock, such party will, if a claim for contribution in respect thereof is able to be made against another party, notify the contributing party of the commencement thereof. The omission to notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution under the Securities Act. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party of the commencement thereof, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified.

4.11 "Market Stand-off" Agreement. Purchaser will not, to the extent requested by Seller or the underwriter(s) managing any underwritten offering of Seller's securities, sell, make any short sale of, loan, grant any option for the purchase of or otherwise transfer or dispose of any Option Shares (other than those included in the underwritten offering) without the prior written consent of Seller or such underwriters for such period of time as Seller or the underwriters may specify commencing up to 7 days before the anticipated effective date of an underwritten registration of Seller's securities and extending up to 120 days after that effective date. In order to enforce the foregoing, Seller may impose stop-transfer instructions with respect to the Option Shares.

V. ADDITIONAL COVENANTS

5.1 Restrictions on Transfer.

(a) Restriction. For a period of 3 years from the date of the initial Closing, Purchaser covenants and agrees that it will not and it will cause each of its "Affiliates" (as hereinafter defined) to not directly or indirectly sell, tender, transfer, pledge, hypothecate or otherwise dispose of, or offer or agree to do any of the foregoing ("Transfer"), any interest in the Option Shares which may be owned "beneficially" (as that term is defined in Rule 13d-3 under the Exchange Act) or of record by it and such Affiliates, except:

(i) a Transfer to any person or entity who or which agrees to be bound by all the provisions of this Article V;

(ii) a Transfer to any person or entity who or which has made a tender offer for Seller's Common Stock, but only if the Board of Directors of Seller has recommended acceptance of such tender offer to the stockholders of Seller;

(iii) a Transfer to Seller or any of its Subsidiaries;

(iv) a Transfer to an Affiliate of Purchaser which is (or agrees to become) a party hereto;

(v) a Transfer which is a bona fide pledge of, or grant of a security interest in, the Option Shares to an institutional, commercial, or other bona fide lender (including without limitation any securities brokerage) for money borrowed;

(vi) a Transfer in connection with any registration statement of Seller that is declared effective during the term of this Article V and includes the Option Shares as a result of exercise of the registration rights granted pursuant to this Agreement; provided, however, that any such disposition by Purchaser or an underwriter pursuant to this Section 5.1(vi) will be made in a manner which (if pursuant to an underwritten offering, in the written opinion of the underwriter) is intended to effect a broad distribution with no Transfers of the Option Shares to any one "person" or "group" (as such terms are defined in and under Section 13(d) of the Exchange Act) if after such Transfers such person or group would beneficially hold in excess of 5 percent of Seller's Common Stock; or

(vii) a Transfer permitted pursuant to Rule 144 under the Securities Act; provided, that Purchaser will use its best efforts to effect as wide a distribution of the Option Shares as is reasonably practicable.

(b) Definition of Affiliate. For all purposes of this Agreement, when used with reference to Purchaser, the word "Affiliate" means any person directly or indirectly controlling, controlled by, or under direct or indirect control with, Purchaser or such other person, as the case may be. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative of the foregoing. For the purposes of this definition, "person" includes, without limitation, any individual, corporation, partnership, joint venture, trust, and any employee pension, profit sharing and other benefit plan and trust. As to any individual person, the term "person" means such individual's spouse, children, brothers and sisters.

5.2 No Transfer. Purchaser covenants and agrees that for a period of 3 years from the date of the initial Closing, without Seller's prior written consent, it will not and it will cause each of its Affiliates to not Transfer or otherwise dispose of or encumber any of the Option Shares or any beneficial interest therein except as permitted pursuant to this Article V.

5.3 Legends and Stop Transfer Orders.

(a) Legend. During the term of the restrictions and covenants of this Article V each of the certificates representing the Option Shares will be registered in the name of Purchaser (except as hereinafter permitted), will be subject to stop transfer instructions, and will include substantially the following legend in addition to any other legends required by the terms of this Agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN LIMITATIONS ON TRANSFER SET FORTH IN A STOCK OPTION AGREEMENT, DATED DECEMBER 23, 1996, BETWEEN MICHAELS STORES, INC. AND DEVOTION LIMITED, WHICH MAY BE APPLICABLE TO CERTAIN TRANSFEREES. A COPY OF SUCH AGREEMENT IS ON FILE WITH THE SECRETARY OF MICHAELS STORES, INC.

(b) Removal of Legend. Such stop transfer instructions and legend will be applicable to any disposition of the Option Shares other than pursuant to a public offering of the Option Shares permitted pursuant to Section 5.1(vi).

5.4 Term and Termination.

(a) Term. The term of these restrictions and covenants in this Article V will commence on the date hereof and will continue for a period of 3 years after the initial Closing.

(b) Termination. Notwithstanding the foregoing, the restrictions and covenants in this Article V will terminate immediately if individuals who at the date hereof constituted the Board of Directors of Seller and any new director whose election by the Board or nomination for election by Seller's stockholders was approved by a vote of at least two-thirds of the directors then still in office, who either were directors at such date or whose election or nomination for election was previously so approved, have ceased for any reason to constitute a majority thereof.

5.5 Certain Actions. Purchaser agrees that for a period of 3 years after the initial Closing, except within the terms of a specific request from Seller, it will not propose or publicly announce or otherwise disclose an intent to propose, or enter into or agree to enter into, singly or with any other person or directly or indirectly, (a) any form of business combination, acquisition, or other transaction relating to Seller or any majority-owned affiliate thereof, (b) any form of restructuring, recapitalization or similar transaction with respect to Seller or any such affiliate, or (c) any demand, request or proposal to amend, waiver or terminate any provision of this Agreement, and except as aforesaid during such period, Purchaser will not (i) acquire, or offer, propose or agree to acquire by purchase or otherwise, any securities of Seller entitled to be voted generally in the election of directors of Seller or any direct or indirect options or other rights to acquire any such securities ("Voting Securities"), (ii) make, or in any way participate in, any solicitation of proxies with respect to any Voting Securities (including by the execution of action by written consent), become a participant in any election contest with respect to Seller, seek to influence any Person with respect to any Voting Securities or demand a copy of Seller's list of its stockholders or other books and records, (iii) participate in or encourage the formation of any partnership, syndicate or other group which owns or seeks or offers to acquire beneficial ownership of any Voting Securities or which seeks to affect control of Seller or for the purpose of circumventing any provision of this Agreement, or (iv) otherwise act, alone or in concert with others (including by providing financing for another Person), to seek or to offer to control of influence, in any manner, the management, Board of Directors or policies of Seller.

5.6 Specific Performance. Purchaser acknowledges that Seller would be irreparably damaged and would not have an adequate remedy at law for money damages in the event that any of the covenants of Seller in this Article V were not performed in accordance with its terms or otherwise were materially breached. Purchaser therefore agrees that Seller will be entitled to an injunction or

injunctions to prevent breaches of such performance and to specific enforcement of such covenants in addition to any other remedy to which it may be entitled, at law or in equity.

VI. MISCELLANEOUS

6.1 Confidentiality. The terms of this Agreement will remain confidential; provided, however, Seller may make such disclosure in any public filing or announcement as may be necessary to comply with applicable law.

6.2 Survival of Representations, Warranties and Covenants. Except as provided in this Agreement, each of the representations, warranties and covenants in this Agreement will survive the consummation of the transactions contemplated in this Agreement. Article IV and V will have no force or effect until Purchaser has delivered an Option Exercise Note to Seller under Section 1.2 and acquired any or all of the Option Shares.

6.3 Entire Agreement. This Agreement contains the entire agreement between Purchaser and Seller with respect to the transactions contemplated hereby and supersedes all prior agreements among the parties with respect to such matters.

6.4 Rights of the Parties. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and their permitted assigns any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

6.5 Further Assurances. From time to time, as and when requested by either party hereto, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary to consummate the transactions contemplated hereby.

6.6 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and to be performed in that State, without giving effect to the principles of conflicts of law thereof.

6.7 Interpretation. For purposes of this Agreement, a "subsidiary" of a corporation means any corporation more than 50% of the outstanding voting securities of which are directly or indirectly owned by such other corporation. The descriptive headings contained herein are for convenience and reference only and will not effect in any way the meaning or interpretation of this Agreement.

6.8 Notices. All notices and other communications hereunder must be in writing and must be given (and will be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex, facsimile transmission or other standard form of telecommunications, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Seller:-

Michaels Stores, Inc.
8000 Bent Branch Drive
Irving, Texas 75063
Attn: General Counsel
Fax No.: 214-409-1965

If to Purchaser:

Devotion Limited
c/o Trident Trust Company (IOM) Limited
100 Market Street
P. O. Box 175
Douglas, Isle of Man
British Isles IM99ITT
Attention: David Bester
Fax No.: 011-44-1624-620-588

or to such other address as any party may have furnished to the other parties in writing in accordance herewith.

6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original but all of which together will constitute but one agreement.

6.10 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but will not be assignable by any party without the prior written consent of the other party; provided that any such assignment will not relieve the assigning party from any of its obligations hereunder.

6.11 Expenses. Subject to Section 4.7 and 4.8 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expense.

6.12 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are consummated to the extent possible.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

SELLER:

MICHAELS STORES, INC.

By: _____
Name: _____
Title: _____

PURCHASER:

DEVOTION LIMITED

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

SELLER:

MICHAELS STORES, INC.

By: _____
Name: _____
Title: _____

PURCHASER:

FOR & ON BEHALF OF
DEVOTION LIMITED

By: _____
Name: RICHARD SCOTT
Title: DIRECTOR

DAVID HERMANUS BESTER
COMPANY SECRETARY

THE SECURITIES REPRESENTED BY THIS OPTION HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER THAT ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND SELLER SHALL HAVE RECEIVED, AT THE EXPENSES OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO SELLER (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO SELLER).

Elegance

OPTION AGREEMENT

This OPTION AGREEMENT (this "Agreement") is made and entered as of December 23, 1996 between Michaels Stores, Inc., a Delaware corporation ("Seller") and Elegance Limited, an Isle of Man corporation ("Purchaser").

RECITAL

Seller desires to grant and sell to Purchaser, and Purchaser desires to purchase from Seller, the option to acquire 666,667 newly issued and outstanding shares (the "Option Shares") of Common Stock, par value $.10 per share, of Seller (the "Common Stock") on the terms and subject to the conditions set forth in this Agreement.

Seller and Purchaser hereby agree as follows:

I. OPTION GRANT

1.1 Option. In exchange for $0.50 per Option Share (the "Option Grant Price"), Seller hereby irrevocably grants to Purchaser an option (the "Option") to purchase the Option Shares at $10.50 per Option Share (the "Option Price"). The Option will terminate and will no longer be in effect after 5:00 p.m. Central Time on February 28, 1997 (the "Option Expiration Time").

1.2 Exercise of Option. The Option may be exercised, in whole or in part, at any time, or from time to time, from this date to the Option Expiration Time (the "Option Period"). If at any time, or from time to time, Purchaser wishes to exercise the Option, in whole or in part, Purchaser will notify Seller in writing (each an "Option Notice") of the number of Option Shares for which the Option is being exercised.

1.3 Option Price. If Purchaser exercises the Option pursuant to Section 1.2, Purchaser will pay to Seller at the Closing (as defined below) the aggregate amount equal to the product of (a) the number of Option Shares that are the subject of the related Option Notice multiplied by (b) the Option Price less the Option Grant Price (the "Purchase Price").

1.4 The Closing.

(a) Subject to Section 1.5, the closing of the purchase and sale of the Option Shares under this Agreement (the "Closing") will take place on the date five business days after the

Seller has delivered an Option Notice or such other date as Seller and Purchaser may agree (the "Closing Date").

(b) At the Closing, (i) Purchaser will pay to Seller the Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller and (ii) Seller will deliver to Purchaser a single certificate representing the Option Shares registered in the name of "Elegance Limited".

(c) At the Closing Seller will deliver to Purchaser, and Purchaser will deliver to Seller, a certificate confirming that their respective representations and warranties set forth in this Agreement are true and complete in all material respects on the Closing Date as if made on that date.

1.5 Condition to Closing.

(a) Notwithstanding anything to the contrary in this Agreement, the obligation of Seller to consummate the sale and purchase of the Option Shares contemplated hereby is subject to satisfaction of each of the following conditions:

(i) The Board of Directors of Seller shall have approved the sale of the Option Shares on or before the Closing Date.

(ii) The representations and warranties of Purchaser in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

(b) Notwithstanding anything to the contrary in this Agreement, the obligations of Purchaser to consummate the sale and purchase of the Option Shares contemplated hereby are subject to the condition that the representations and warranties made by Seller in this Agreement shall be true and complete in all material respects on and as of the Closing Date.

II. REPRESENTATIONS AND WARRANTIES OF SELLER

2.1 Organization; Power and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Agreement and the performance by it of the transactions contemplated hereby to be performed by it have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation of Seller.

2.2 Capitalization. The authorized capital stock of Seller consists of (i) 50,000,000 shares of Common Stock, of which as of December 10, 1996, 23,560,592 shares were issued and outstanding, fully paid and nonassessable and no shares were held in the treasury, and (ii) 2,000,000 shares of preferred stock, $.10 par value per share, of which as of December 10, 1996, no shares were outstanding. Upon the issuance of the Option Shares to Purchaser and the payment to Seller of the Purchase Price, the Option Shares will be validly issued and outstanding, fully paid and nonassessable, and Purchaser will acquire good and valid title to the Option Shares, free and clear of any charges, liens or other encumbrances ("Encumbrances") of any kind. Neither the granting of the Option or issuing any of the Option Shares will violate any preemptive rights, rights of first refusal or other acquisition rights.

2.3 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any court, governmental authority or other regulatory or administrative agency or commission, domestic or foreign ("Governmental Entity"), or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Seller.

2.4 SEC Reports; Financial Statements.

(a) Seller has delivered to Purchaser (i) its Annual Report on Form 10-K for the fiscal year ended January 28, 1996 and (ii) its Quarterly Reports on Form 10-Q for each of the fiscal quarters ended April 28, 1996, July 28, 1996 and October 27, 1996, respectively, each in the form (including exhibits) filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"). Each SEC Report has been prepared and filed in accordance with all applicable rules and regulations of the SEC and at the time of its filing was in compliance with such rules and regulations in all material respects. As of their respective dates, the SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the audited consolidated financial statements and unaudited consolidated interim financial statements of Seller (and the related notes and schedules) included in the SEC Reports present fairly, in all material respects, the consolidated financial position of Seller and its consolidated subsidiaries as of the respective dates thereof and the results of operations and cash flows for the respective periods set forth therein, in accordance with generally accepted accounting principles consistently applied during the period involved, except as otherwise noted therein and subject, in the case of the unaudited interim consolidated financial statements, to the omission of certain notes not ordinarily accompanying such unaudited interim consolidated financial statements and to normal year-end adjustments and any other adjustments described therein.

(c) Except as set forth in the SEC Reports, any other reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to Seller, and any public announcements made by Seller, since October 27, 1996 there has been no material adverse change in the assets, earnings, financial position, business or prospects of Seller and its subsidiaries, considered as a whole.

2.5 No Broker; Finder; Etc. None of Seller or its directors, officers or employees has employed any investment banker, consultant, broker or finder or incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

3.1 Purchase for Investment. Purchaser acknowledges that the Option and the Option Shares have not been registered under the Securities Act of 1933, as amended ("Securities Act"), or under any state or foreign securities laws. Purchaser is not an underwriter as such term is defined

under the Securities Act, and is purchasing the Option Shares solely for investment with no present intention to distribute any of the Option Shares to any person or entity ("Person"). Purchaser will not sell or otherwise dispose of any of the Option Shares, except in accordance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder, and any other applicable securities laws. Purchaser further understands that the certificate representing the Option Shares will bear the following legend and agrees that it will hold the Option Shares subject thereto:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER THAT ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND MICHAELS STORES, INC. SHALL HAVE RECEIVED, AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO MICHAELS STORES, INC. (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO MICHAELS STORES, INC.).

3.2 Suitability and Sophistication. Purchaser represents and warrants that it (a) is an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act, (b) has such knowledge and experience in financial and business matters that it is capable of independently evaluating the risks and merits of purchasing the Option and the Option Shares, (c) has been provided with the opportunity to make a reasonable investigation of Seller, including the opportunity to make any inquiries and to request additional information necessary to its investment decision, and Seller has satisfactorily responded to any inquiries and furnished to Purchaser all requested information, (d) has independently evaluated the risks and merits of purchasing the Option and the Option Shares and has independently determined that the Option Shares are a suitable investment for it, and (e) has sufficient financial resources to bear the loss of its entire investment in the Option and the Option Shares.

3.3 Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of, or constitute a default under, any note, pledge, trust, commitment, agreement or other instrument or obligation to which Purchaser is a party or by which Purchaser or any of its properties may be bound, (b) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, or (c) violate any statute or any order, decree, injunction, rule or regulation of any Governmental Entity applicable to Purchaser.

3.4 No Agreements. Purchaser acknowledges that there are no agreements, arrangements, commitments or understandings relating to any of the Option Shares except pursuant to this Agreement.

3.5 No Broker; Finder; Etc. None of Purchaser or its directors, officers, agents or employees has employed any investment banker, consultant, broker or finder or incurred any liability

for any brokerage fees, commissions or finders fees in connection with the transactions contemplated under this Agreement.

IV. REGISTRATION RIGHTS

4.1 Registration. Upon receipt of a written request (the "Registration Notice") by Purchaser at any time after one year from the date of the initial Closing, Seller shall cause to be filed as soon as practicable a registration statement (a "Shelf Registration Statement") under the Securities Act on Form S-3 or any other appropriate form under the Securities Act for an offering to be made on a delayed or continuous basis pursuant to Rule 415 thereunder or any similar rule that may be adopted by the SEC and permitting sales in ordinary course brokerage or dealer transactions not involving an underwritten public offering (and shall register or qualify the shares to be sold in such offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) covering no less than the aggregate number of Option Shares then held by Purchaser (those Option Shares together with any shares of Common Stock or other securities that may subsequently be issued with respect to the Option Shares as result of a stock split or dividend, reclassification, or combination of shares or any sale, tranafer, assignment or other transaction by Seller or Purchaser involving the Option Shares and any securities into which the Option Shares may thereafter be changed as a result of merger, consolidation, or recapitalization or otherwise are referred to as the "Registrable Shares") so that the Registrable Shares will be included in an effective registration statement under the Securities Act. Seller shall use its reasonable efforts to cause the Shelf Registration Statement to be declared effective by the SEC on or before 90 days following Seller's receipt of the Registration Notice. Seller shall use its reasonable efforts to keep the Shelf Registration Statement continuously effective (and to register or qualify the shares to be sold in such offering under such other securities or "blue sky" laws as required pursuant to this Section 4.1) for so long as Purchaser holds any Registrable Shares or until Seller has caused to be delivered to Purchaser an opinion of counsel, which counsel shall be reasonably acceptable to Purchaser, stating that the Registrable Shares may be sold by Purchaser pursuant to Rule 144 without regard to any volume limitations and that Seller has satisfied the informational requirements of Rule 144. Seller shall file any necessary listing applications or amendments to existing applications to cause the Registrable Shares to be listed on the primary exchange or quotation system on which its shares of Common Stock are then listed, if any. Seller will use reasonable efforts to register or qualify the Registrable Shares under such other securities or "blue sky" laws of such jurisdictions as Purchaser may reasonably request and do any and all other acts and things that may be reasonably necessary or advisable to register or qualify for sale in such jurisdictions the Registrable Shares owned by Purchaser; provided that Seller shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified, (ii) subject itself to taxation in any such jurisdiction, (iii) consent to general service of process in any such jurisdiction, or (iv) provide any undertaking required by such other securities or "blue sky" laws or make any change in its charter or bylaws that the Board of Directors of Seller determines in good faith to be contrary to the best interest of Seller and its stockholders. Notwithstanding the foregoing, if Seller shall furnish to Purchaser a certificate signed by the chief executive officer of Seller stating that in the good faith judgment of the Board of Directors of Seller it would be significantly disadvantageous to Seller and its stockholders for the Shelf Registration Statement to be amended or supplemented, Seller may defer such amending or supplementing of such Shelf Registration Statement for not more than 45 days and in such event Purchaser shall be required to discontinue disposition of any Registrable Shares covered by such Shelf registration statement during such period.

4.2 Distribution of Registrable Shares. If Purchaser intends to distribute the Registrable Shares covered by the Shelf Registration Statement by means of an underwriting, Purchaser shall so advise Seller. In that event, the underwriting shall be managed by an underwriter or underwriters selected by Purchaser that are reasonably acceptable to Seller (which approval shall not unreasonably be withheld). Purchaser shall have the right to negotiate with the underwriters and to determine all terms of the underwriting, including the gross price and net price at which the Registrable Shares are to be sold. Seller shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected as above provided and any representations and warranties of Seller thereunder to and for the benefit of the underwriters shall also be made to and for the benefit of Purchaser. Seller will furnish to Purchaser and the underwriters (i) an opinion of counsel for Seller, addressed to Purchaser and the underwriters, dated the date of the closing under the underwriting agreement, and (ii) a "comfort letter" signed by the independent public accountants who have certified Seller's financial statements included in the Shelf Registration Statement, addressed to Purchaser and the underwriters; provided however, that (i) the opinion and "comfort letter" shall cover substantially the same matters with respect to the Shelf Registration Statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public secondary offerings and such other matters as Purchaser may reasonably request, and (ii) the "comfort letter" shall also cover events subsequent to the date of such financial statements.

4.3 Furnish Information. In connection with the Shelf Registration Statement, Purchaser will (a) cooperate with Seller to effect such registration and to maintain the effectiveness thereof, (b) promptly and accurately furnish any information reasonably requested by Seller concerning Purchaser and the proposed distribution by Purchaser, and (c) promptly comply with all applicable requirements of the Securities Act, the Exchange Act and any other applicable federal or state laws, including, but not limited to, furnishing Seller such information regarding Purchaser, the Registrable Shares held by it and the intended method of disposition of such securities as reasonably required in connection with the action to be taken by Seller pursuant to this Agreement.

4.4 Expenses of Registration. Seller will bear all expenses incurred in effecting any registration pursuant to this Agreement, including without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for Seller, blue sky fees and expenses, expenses of any regular or special audit incident to or required by any such registration, but will not include any expenses payable by Purchaser under this Section 4.4. Purchaser will pay in connection with any registration of its Registrable Shares any underwriting discounts, selling commissions, fees or disbursements of Purchaser's counsel or of any advisor to Purchaser not retained by Seller, or fees and expenses incident to preparation of information by Purchaser, and expenses incurred in connection with the qualification of the Registrable Shares in a jurisdiction that requires those expenses to be paid by a selling shareholder.

4.5 Registration Procedure.

(a) Seller will keep Purchaser advised in writing of the initiation and the completion of each registration, qualification and compliance effected by Seller under this Agreement.

(b) At its expense, Seller will:

(i) prepare and file with the SEC such amendments and supplements to the Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Shelf Registration Statement effective for the period described in Section

4.1(a) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of the Registrable Shares whenever the Purchaser shall desire to sell or otherwise dispose of the Registrable Shares within that period;

(ii) furnish to Purchaser and any underwriters such numbers of copies of the Shelf Registration Statement, amendments and supplements thereto, the prospectus included in the Shelf Registration Statement including any preliminary prospectus, and any amendments or supplements thereto, and such other documents, as Purchaser and any underwriters may reasonably request in order to facilitate the sale or other disposition of the Registrable Shares;

(iii) use its reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act; and

(iv) notify Purchaser at any time when a prospectus relating to the Registrable Shares is required to be delivered under the Securities Act, of the happening of any event of which Seller has knowledge as a result of which the prospectus included in the Shelf Registration Statement, as then in effect, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

4.6 Postponement of Registration. If after any registration statement including Registrable Shares has become effective there exists in the opinion of Seller's management material non-public information about Seller which has not been released and which, in the reasonable opinion of Seller's management, would not be advisable to release, then upon receipt of notice from Seller, Purchaser will not offer or sell or permit to be offered or sold any of the Registrable Shares for such time as Seller believes such condition is continuing. If the offering is not completed because of Seller's exercise of its rights hereunder, Seller will reimburse Purchaser for all of its expenses incurred in connection with the terminated offering.

4.7 Indemnification by Seller.

(a) Seller will indemnify Purchaser, its directors, officers, employees, and agents, and any person controlling the Purchaser (within the meaning of the Securities Act) and each underwriter, if any, of the Registrable Shares and each person controlling that underwriter (within the meaning of the Securities Act), against all claims, losses, expenses, damages, liabilities and actions ("Claims") in respect of Claims (including any Claim incurred in settlement of any litigation, commenced or threatened) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, or any amendment or supplement thereto, or any notification or the like incident to any such registration, or any amendment or supplement thereto, or any qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or related registration statement incident to such registration, qualification or compliance, a material fact required to be stated in it or necessary to make that statement in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Seller of any rule or regulation promulgated under the Securities Act applicable to Seller and relating to action or inaction required of Seller in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this

Section 4.7(a) will not apply (A) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (B) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, or any underwriter (or to the benefit of any person who controls Purchaser or such underwriter within the meaning of the Securities Act) from whom the person asserting the Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon (1) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (2) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (3) any violation or alleged violation by Seller of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law (collectively a "Violation") which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a Claim by Purchaser under this Section 4.7(a)) or such underwriter or controlling person (with respect to a Claim by such underwriter or controlling person under this Section 4.7(a)).

(b) Seller will reimburse Purchaser, its directors, officers, employees, agents, and controlling person and each such underwriter or controlling person for any legal or any other expenses reasonably incurred in connection with investigating or defending any Claim; provided, however, that the reimbursement provisions contained in this Section 4.7(b) will not apply (i) to amounts paid in settlement of any Claim if such settlement is effected without the consent of Seller (which consent will not be unreasonably withheld) and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or the prospectus or the prospectus as amended or supplemented, but eliminated or remedied in the prospectus or the prospectus as amended or supplemented, and will not inure to the benefit of Purchaser, its directors, officers, employees, agents, and controlling person or any underwriter (or to the benefit of any person who controls such underwriter within the meaning of the Securities Act) from whom the person asserting any Claim purchased any of the Registrable Shares, if a copy of the prospectus (as then amended or supplemented and provided to Purchaser) was not sent or given to such person through no fault of Seller at or prior to the time such action is required by the Securities Act, nor will Seller be liable in any such case for any Claim to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished for use in connection with such registration by or on behalf of Purchaser (with respect to a claim for reimbursement by Purchaser, its directors, officers, employees, agents, and controlling person under this Section 4.7(b)) or such underwriter or controlling person (with respect to a claim for reimbursement by such underwriter or controlling person under this Section 4.7(b)).

4.8 Indemnification by Purchaser.

(a) Purchaser hereby indemnifies Seller, its directors, officers, employees, agents, and any person controlling Seller (within the meaning of the Securities Act) each underwriter, if any, of Seller's securities covered by such registration statement, each person who controls that underwriter (within the meaning of the Securities Act) against all Claims (including any Claim

incurred in settlement of any litigation commenced or settled) arising out of or based on (i) any untrue statement or alleged untrue statement of a material fact in any prospectus or any related registration statement, notification or the like, incident to such registration, qualification or compliance, or (ii) any omission or alleged omission to state in any such prospectus or any related registration statement, qualification or compliance, a material fact required to be stated in it or necessary to make the statement(s) in it not misleading in light of the circumstance in which the statement was made, or (iii) any violation by Purchaser of any rule or regulation promulgated under the Securities Act applicable to Purchaser and relating to action or inaction required of Purchaser in connection with any such registration, qualification or compliance; provided, however, that the indemnity agreement contained in this Section 4.8(a) will apply to any Claim only to the extent that it arises out of or is based upon a Violation which occurs solely in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser, and provided further that Purchaser will have no liability hereunder if (A) any such written information contained an untrue statement or omission or alleged untrue statement or omission that was subsequently corrected in writing by Purchaser and furnished to Seller or the underwriter in sufficient time for incorporation into the final prospectus, or (B) Seller pays any amounts in settlement of any such Claim if such settlement is effected without the consent of Purchaser (which consent will not be unreasonably withheld).

(b) Purchaser will reimburse Seller and its directors, officers, employees, agents and controlling person (within the meaning of the Securities Act) each underwriter, and each person controlling that underwriter (within the meaning of the Securities Act) for any legal or any other expenses reasonably incurred in connection with investigating or defending any such Claim; provided, however, that the reimbursement provisions contained in this Section 4.8(b) will apply to any such Claim only to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by or on behalf of Purchaser.

4.9 Notice. Promptly after receipt by an indemnified party under Section 4.7 or 4.8 of notice of the commencement of any action (including, but not limited to, any action by a Governmental Entity), such indemnified party will, if a Claim in respect thereof is to be made against any indemnifying party under Sections 4.7 or 4.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party will have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties and the indemnified party will bear the fees and expenses of any additional counsel thereafter retained by it; provided, however, that indemnified parties will have the right to retain counsel to represent all indemnified parties, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified parties by the counsel retained by the indemnifying party would be inappropriate due to actual or potential material differing interests between such indemnified parties and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, will relieve such indemnifying party of any liability to the indemnified party under Section 4.7 or 4.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under Section 4.7 or 4.8.

4.10 Contribution.

(a) If for any reason the indemnification provided for in Section 4.7 or 4.8 is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by such sections, then the indemnifying party will contribute to the amount paid or payable by the indemnified party as a result of any Claim in such proportion as is appropriate to reflect not only the relative benefits received by the indemnified party and the indemnifying party, but also the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations; provided, however, that, in any such case, (i) Purchaser will not be required to contribute any amount in excess of the sales price of all Registrable Shares sold by Purchaser pursuant to such registration statement, and (ii) no party guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any other party who was not guilty of such fraudulent misrepresentation.

(b) Promptly after receipt by a party of notice of the commencement of any action, suit or proceeding in connection with a public offering of Common Stock, such party will, if a claim for contribution in respect thereof is able to be made against another party, notify the contributing party of the commencement thereof. The omission to notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution under the Securities Act. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party of the commencement thereof, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified.

4.11 "Market Stand-off" Agreement. Purchaser will not, to the extent requested by Seller or the underwriter(s) managing any underwritten offering of Seller's securities, sell, make any short sale of, loan, grant any option for the purchase of or otherwise transfer or dispose of any Option Shares (other than those included in the underwritten offering) without the prior written consent of Seller or such underwriters for such period of time as Seller or the underwriters may specify commencing up to 7 days before the anticipated effective date of an underwritten registration of Seller's securities and extending up to 120 days after that effective date. In order to enforce the foregoing, Seller may impose stop-transfer instructions with respect to the Option Shares.

V. ADDITIONAL COVENANTS

5.1 Restrictions on Transfer.

(a) Restriction. For a period of 3 years from the date of the initial Closing, Purchaser covenants and agrees that it will not and it will cause each of its "Affiliates" (as hereinafter defined) to not directly or indirectly sell, tender, transfer, pledge, hypothecate or otherwise dispose of, or offer or agree to do any of the foregoing ("Transfer"), any interest in the Option Shares which may be owned "beneficially" (as that term is defined in Rule 13d-3 under the Exchange Act) or of record by it and such Affiliates, except:

(i) a Transfer to any person or entity who or which agrees to be bound by all the provisions of this Article V;

(ii) a Transfer to any person or entity who or which has made a tender offer for Seller's Common Stock, but only if the Board of Directors of Seller has recommended acceptance of such tender offer to the stockholders of Seller;

(iii) a Transfer to Seller or any of its Subsidiaries;

(iv) a Transfer to an Affiliate of Purchaser which is (or agrees to become) a party hereto;

(v) a Transfer which is a bona fide pledge of, or grant of a security interest in, the Option Shares to an institutional, commercial, or other bona fide lender (including without limitation any securities brokerage) for money borrowed;

(vi) a Transfer in connection with any registration statement of Seller that is declared effective during the term of this Article V and includes the Option Shares as a result of exercise of the registration rights granted pursuant to this Agreement; provided, however, that any such disposition by Purchaser or an underwriter pursuant to this Section 5.1(vi) will be made in a manner which (if pursuant to an underwritten offering, in the written opinion of the underwriter) is intended to effect a broad distribution with no Transfers of the Option Shares to any one "person" or "group" (as such terms are defined in and under Section 13(d) of the Exchange Act) if after such Transfers such person or group would beneficially hold in excess of 5 percent of Seller's Common Stock; or

(vii) a Transfer permitted pursuant to Rule 144 under the Securities Act; provided, that Purchaser will use its best efforts to effect as wide a distribution of the Option Shares as is reasonably practicable.

(b) Definition of Affiliate. For all purposes of this Agreement, when used with reference to Purchaser, the word "Affiliate" means any person directly or indirectly controlling, controlled by, or under direct or indirect control with, Purchaser or such other person, as the case may be. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative of the foregoing. For the purposes of this definition, "person" includes, without limitation, any individual, corporation, partnership, joint venture, trust, and any employee pension, profit sharing and other benefit plan and trust. As to any individual person, the term "person" means such individual's spouse, children, brothers and sisters.

5.2 No Transfer. Purchaser covenants and agrees that for a period of 3 years from the date of the initial Closing, without Seller's prior written consent, it will not and it will cause each of its Affiliates to not Transfer or otherwise dispose of or encumber any of the Option Shares or any beneficial interest therein except as permitted pursuant to this Article V.

5.3 Legends and Stop Transfer Orders.

(a) Legend. During the term of the restrictions and covenants of this Article V each of the certificates representing the Option Shares will be registered in the name of Purchaser (except as hereinafter permitted), will be subject to stop transfer instructions, and will include substantially the following legend in addition to any other legends required by the terms of this Agreement:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN LIMITATIONS ON TRANSFER SET FORTH IN A STOCK OPTION AGREEMENT, DATED DECEMBER 23, 1996, BETWEEN MICHAELS STORES, INC. AND ELEGANCE LIMITED, WHICH MAY BE APPLICABLE TO CERTAIN TRANSFEREES. A COPY OF SUCH AGREEMENT IS ON FILE WITH THE SECRETARY OF MICHAELS STORES, INC.

(b) Removal of Legend. Such stop transfer instructions and legend will be applicable to any disposition of the Option Shares other than pursuant to a public offering of the Option Shares permitted pursuant to Section 5.1(vi).

5.4 Term and Termination.

(a) Term. The term of these restrictions and covenants in this Article V will commence on the date hereof and will continue for a period of 3 years after the initial Closing.

(b) Termination. Notwithstanding the foregoing, the restrictions and covenants in this Article V will terminate immediately if individuals who at the date hereof constituted the Board of Directors of Seller and any new director whose election by the Board or nomination for election by Seller's stockholders was approved by a vote of at least two-thirds of the directors then still in office, who either were directors at such date or whose election or nomination for election was previously so approved, have ceased for any reason to constitute a majority thereof.

5.5 Certain Actions. Purchaser agrees that for a period of 3 years after the initial Closing, except within the terms of a specific request from Seller, it will not propose or publicly announce or otherwise disclose an intent to propose, or enter into or agree to enter into, singly or with any other person or directly or indirectly, (a) any form of business combination, acquisition, or other transaction relating to Seller or any majority-owned affiliate thereof, (b) any form of restructuring, recapitalization or similar transaction with respect to Seller or any such affiliate, or (c) any demand, request or proposal to amend, waiver or terminate any provision of this Agreement, and except as aforesaid during such period, Purchaser will not (i) acquire, or offer, propose or agree to acquire by purchase or otherwise, any securities of Seller entitled to be voted generally in the election of directors of Seller or any direct or indirect options or other rights to acquire any such securities ("Voting Securities"), (ii) make, or in any way participate in, any solicitation of proxies with respect to any Voting Securities (including by the execution of action by written consent), become a participant in any election contest with respect to Seller, seek to influence any Person with respect to any Voting Securities or demand a copy of Seller's list of its stockholders or other books and records, (iii) participate in or encourage the formation of any partnership, syndicate or other group which owns or seeks or offers to acquire beneficial ownership of any Voting Securities or which seeks to affect control of Seller or for the purpose of circumventing any provision of this Agreement, or (iv) otherwise act, alone or in concert with others (including by providing financing for another Person), to seek or to offer to control of influence, in any manner, the management, Board of Directors or policies of Seller.

5.6 Specific Performance. Purchaser acknowledges that Seller would be irreparably damaged and would not have an adequate remedy at law for money damages in the event that any of the covenants of Seller in this Article V were not performed in accordance with its terms or otherwise were materially breached. Purchaser therefore agrees that Seller will be entitled to an injunction or

injunctions to prevent breaches of such performance and to specific enforcement of such covenants in addition to any other remedy to which it may be entitled, at law or in equity.

VI. MISCELLANEOUS

6.1 Confidentiality. The terms of this Agreement will remain confidential; provided, however, Seller may make such disclosure in any public filing or announcement as may be necessary to comply with applicable law.

6.2 Survival of Representations, Warranties and Covenants. Except as provided in this Agreement, each of the representations, warranties and covenants in this Agreement will survive the consummation of the transactions contemplated in this Agreement. Article IV and V will have no force or effect until Purchaser has delivered an Option Exercise Note to Seller under Section 1.2 and acquired any or all of the Option Shares.

6.3 Entire Agreement. This Agreement contains the entire agreement between Purchaser and Seller with respect to the transactions contemplated hereby and supersedes all prior agreements among the parties with respect to such matters.

6.4 Rights of the Parties. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and their permitted assigns any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

6.5 Further Assurances. From time to time, as and when requested by either party hereto, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary to consummate the transactions contemplated hereby.

6.6 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and to be performed in that State, without giving effect to the principles of conflicts of law thereof.

6.7 Interpretation. For purposes of this Agreement, a "subsidiary" of a corporation means any corporation more than 50% of the outstanding voting securities of which are directly or indirectly owned by such other corporation. The descriptive headings contained herein are for convenience and reference only and will not effect in any way the meaning or interpretation of this Agreement.

6.8 Notices. All notices and other communications hereunder must be in writing and must be given (and will be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex, facsimile transmission or other standard form of telecommunications, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Seller:

Michaels Stores, Inc.
8000 Bent Branch Drive
Irving, Texas 75063
Attn: General Counsel
Fax No.: 214-409-1965

If to Purchaser:

Elegance Limited
c/o Trident Trust Company (IOM) Limited
100 Market Street
P. O. Box 175
Douglas, Isle of Man
British Isles IM99TT
Attention: David Bester
Fax No.: 011-44-1624-620-588

or to such other address as any party may have furnished to the other parties in writing in accordance herewith.

6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original but all of which together will constitute but one agreement.

6.10 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but will not be assignable by any party without the prior written consent of the other party; provided that any such assignment will not relieve the assigning party from any of its obligations hereunder.

6.11 Expenses. Subject to Section 4.7 and 4.8 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expense.

6.12 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are consummated to the extent possible.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

SELLER:

MICHAELS STORES, INC.

By: _____
Name: _____
Title: _____

PURCHASER:

ELEGANCE LIMITED

By: _____
Name: _____
Title: _____

PURCHASER:

FOR & ON BEHALF OF
ELEGANCE LIMITED

By: [illegible]
Name: RICHARD SCOTT
Title: DIRECTOR

DAVID HERMANUS BESTER
COMPANY SECRETARY

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Friday, September 22, 2000 10:45 AM
To: Evan_Wyly@[redacted]
Subject: Re: ADV Amendment

Attachments: Doc Link.htm; ADV Pt-I 9-00.DOC; ADV Sch-B 9-00.doc; ADV Sch-E 9-00.doc

Linda got it changed.

----- Forwarded by Keeley Hennington/htst on 09/22/00 11:46 AM -----

Keeley Hennington
09/22/00 08:02 AM

To: Evan Wyly/[redacted]
cc:
Subject: Re: ADV Amendment

Evan - I will talk to Linda today - I think we should take out each of your children and just put The Evan and Barbe Wyly Children's Trust (without the names). This trust then splits to three for your kids. There is really no such thing as a protector in the domestic world. I think we would have to remove her as trustee or make her a successor trustee, but I will talk to Linda and let you know

Evan Wyly[redacted]
09/21/00 09:34 PM

To: Linda Childress/[redacted]
cc: Shari Robertson/[redacted] Keith_Hennington[redacted] Keeley Hennington/[redacted]
Subject: Re: ADV Amendment

Linda: This looks OK.
Keeley: What do I need to do to remove the names of my children from future filings of schedule B? Also, on future filings for Wrangler, would Lisa's name show if she were a protector and not a trustee?

Linda Childress
09/21/00 06:22 PM

To: Lee Ainslie/[redacted] Evan Wyly[redacted]
cc: Shari Robertson[redacted]
Subject: ADV Amendment

Lee and Evan,

Shari asked that I forward the attached pieces of our current amendment to the ADV to you for your review before we file it with the SEC. Our primary purpose is to report the change in ownership from Tallulah to Wrangler, delete Sam Wyly

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 519

Confidential
SEC_ED00005014

PSI_ED00005014

and his children's trusts and any information related to them, as well as add Evan's and Lisa's role as Trustees of Wrangler. Shari noted that we should also change the business hours listed in Item 1, Page 1 of Part I since Chris will be moving to NY in a couple of weeks. I've highlighted the changes on these pages for easy identification.

Please call me with any questions. Also, we need to file this amendment ASAP. This is one of those things to be filed "as soon as possible" after the change is effective - we're showing a change date of June 2000.

Thanks-

Linda Essary Childress
Compliance Officer
Maverick Capital, Ltd.
214-880-4059


Doc Link.htm (205 B)


ADV Pt-I 9-00.DOC (198 KB)


ADV Sch-B 9-00.doc (44 KB)


ADV Sch-E 9-00.doc (42 KB)

4.6 Domicile and residence of the Trustee. No United States Person or Legal Entity formed under the laws of the United States or any State within the United States shall be a Trustee of this Trust.

5. TRUST DISTRIBUTIONS.

5.1 Accumulations. The Trustee may accumulate any income earned by the Trust Fund for such time as the Trustee at its sole and absolute discretion, deems fit, without incurring any liability for such actions.

5.2 Restrictions on distributions.

(a) To United States Persons. Until the expiration of the second anniversary of the death of the Settlor no part of the Trust Fund, including the corpus or income comprising the Trust Fund may during any Taxable Year be paid to or accumulated for the benefit of any United States Person. If this Trust terminates at any time during a Taxable Year, no part of the capital or income of the Trust Fund can be paid to or for the benefit of any United States Person until the second anniversary of the death of the Settlor.

(b) To Charitable Organizations. No distribution to a Charitable Organization may be used for any United States activity of the charity.

(c) To Precluded Persons. No distribution may be made to any Precluded Persons.

(d) To the Settlor. Notwithstanding any other provision of this Trust Agreement (but, subject to Section 3.3), no part of the Trust Fund (including any income or any future accumulations of income) may revert back to the Settlor. The Settlor may not be a Beneficiary of this Trust. None of the income of the Trust Fund may be applied or distributed or held or accumulated for the health, education, support or maintenance of the Settlor.

5.3 Discretionary Distributions by Trustee. The Trustee shall have sole and absolute discretion regarding the distribution of the Trust Fund to any one or more of the Beneficiaries. The Trustee in its sole and absolute discretion may apportion any or all of the Trust Fund between the Beneficiaries of this Trust as the Trustee deems reasonable. The Trustee shall be entitled to act on the advice of counsel and shall not be held accountable or liable for any subsequent tax liability which may arise as a consequence of any distribution or use of the Trust Fund pursuant to the terms of this Trust or for acting on the advice of counsel with respect to the tax laws of the jurisdiction in which the tax liability might arise. This discretionary distribution power of the Trustee shall be limited and void with regard to any distribution that violates any provisions or intent of this Trust. The Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desire regarding such matters as, but not limited to, the investment and management of the Trust Assets and

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5.3 Discretionary Distributions by Trustee. The Trustee shall have sole and absolute discretion regarding the distribution of the Trust Fund to any one or more of the Beneficiaries. The Trustee in its sole and absolute discretion may apportion any or all of the Trust Fund between the Beneficiaries of this Trust as the Trustee deems reasonable. The Trustee shall be entitled to act on the advice of counsel and shall not be held accountable or liable for any subsequent tax liability which may arise as a consequence of any distribution or use of the Trust Fund pursuant to the terms of this Trust or for acting on the advice of counsel with respect to the tax laws of the jurisdiction in which the tax liability might arise. This discretionary distribution power of the Trustee shall be limited and void with regard to any distribution that violates any provisions or intent of this Trust. The Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desire regarding such matters as, but not limited to, the investment and management of the Trust Assets and

4.6 Domicile and residence of the Trustee. No United States Person or Legal Entity formed under the laws of the United States or any State within the United States shall be a Trustee of this Trust.

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(a) To United States Persons. Until the expiration of the second anniversary of the death of the Settlor no part of the Trust Fund, including the corpus or income comprising the Trust Fund may during any Taxable Year be paid to or accumulated for the benefit of any United States Person. If this Trust terminates at any time during a Taxable Year, no part of the capital or income of the Trust Fund can be paid to or for the benefit of any United States Person until the second anniversary of the death of the Settlor.

(b) To Charitable Organizations. No distribution to a Charitable Organization may be used for any United States activity of the charity.

(c) To Precluded Persons. No distribution may be made to any Precluded Persons.

(d) To the Settlor. Notwithstanding any other provision of this Trust Agreement (but, subject to Section 3.3), no part of the Trust Fund (including any income or any future accumulations of income) may revert back to the Settlor. The Settlor may not be a Beneficiary of this Trust. None of the income of the Trust Fund may be applied or distributed or held or accumulated for the health, education, support or maintenance of the Settlor.

5.3 Discretionary Distributions by Trustee. The Trustee shall have sole and absolute discretion regarding the distribution of the Trust Fund to any one or more of the Beneficiaries. The Trustee in its sole and absolute discretion may apportion any or all of the Trust Fund between the Beneficiaries of this Trust as the Trustee deems reasonable. The Trustee shall be entitled to act on the advice of counsel and shall not be held accountable or liable for any subsequent tax liability which may arise as a consequence of any distribution or use of the Trust Fund pursuant to the terms of this Trust or for acting on the advice of counsel with respect to the tax laws of the jurisdiction in which the tax liability might arise. This discretionary distribution power of the Trustee shall be limited and void with regard to any distribution that violates any provisions or intent of this Trust. The Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desire regarding such matters as, but not limited to, the investment and management of the Trust Assets and

(b) The Settlor shall not have any interest in any investment made by the Trustee other than such legal interest as would a stranger to this Trust or to the trusts.

(c) Under no circumstances shall the Settlor or the Beneficiaries have any power to reacquire the whole of the Trust Fund, or any part thereof, by substituting property, other than cash of an equivalent value paid as a fair purchase price. The Settlor has no power to require the Trustee to deal with the Settlor in any manner, or in any particular manner, or to give the Settlor any power to reacquire the Trust Fund or any part thereof by substituting property, other than cash of an equivalent value paid as a fair purchase price. Nothing herein shall prevent the Trustee from lending funds for, guaranteeing or otherwise paying any or all liabilities of any Beneficiary with or without security, and with or without interest or at below market rates of interest, for a period not to extend beyond the Termination of this Trust.

(d) In no event shall the Settlor exercise any powers which have the effect of:

(i) defeating the irrevocability of this Trust Agreement or of the Trust created hereby; or

(ii) terminating the Trust prior to the date or time set forth elsewhere in this Trust Agreement; or

(iii) making this Trust Agreement amendable; or

(iv) this Trust losing its non-grantor trust status as mentioned herein.

If any power held by the Settlor, or the exercise thereof by the Settlor, shall have any adverse effect upon this Trust, the Trust Agreement or upon any Beneficiary, then such power of the Settlor shall be null and void ab initio.

6. GENERAL POWERS OF TRUSTEE.

In addition to such other powers as may be granted to it by law, the Trustee shall have full power in its discretion:

(a) to retain, sell, exchange and invest in any stocks, bonds, notes, debentures, mortgages, certificates of deposit, investment trusts, common trust funds, and other property, real and personal (including shares of stock and obligations of any corporation, business enterprise or investment company in which the Trustee has an interest or is a principal, regardless of where the same may be located or may be doing business and whether or not the same may be productive or speculative in nature and whether or not authorized by law for the investment of trust property as fully as if it were the beneficial owner, and without obligation to diversity and without regard to the proportion that such property, or property of a similar character held, may bear to the entire trust property;

(b) to purchase on behalf of the Trust, policies of insurance on or purchase annuities on the life or lives of any Beneficiary or on the life of any person in whose life any Beneficiary has an insurable interest. The Trustee may in its absolute discretion determine the class of, kind of and conditions attaching to the insurance or annuity to be purchased. Insurance includes term life insurance. The Trustee shall not be held responsible for the form, genuineness, validity, sufficiency or effect of any such policy or annuity or for the act of any person which may render any such policy or annuity null and void or voidable for the failure of the insurance company or issuing body to make payment upon such policy or annuity when due and payable or for any delay occasioned by reason of any provision contained in any such policy or annuity. The Trustee shall not be held responsible if, for any reason, any such policy, or annuity shall lapse or otherwise become unenforceable.

(c) to sell, (for cash or on credit, at public or private sale) mortgage, grant options on, exchange and lease for any term of years including a term of ten or more years which may extend beyond the duration of this Trust, any real and personal property;

(d) to make division or distribution in cash or in kind, real or personal, or undivided interest therein, or partly in each, and in shares which may be composed differently, and for such purpose, to place a valuation which shall be binding on any person entitled to any benefit hereunder;

(e) to borrow money for any lawful purpose from anyone, including the Trustee hereunder or any affiliate thereof, and to mortgage, charge or pledge any of the assets held as Trust Property as security for the repayment thereof. The Trustee shall be entitled to arrange for any such loan upon such terms as are usual, and shall not be required to account for any profit made in respect thereof, and any such loan shall be payable only out of the assets of this Trust;

(f) to make loans, secured or unsecured, and with or without interest, in such amounts and on such terms and conditions as the Trustee, in its sole discretion, may determine, to any person including any Beneficiary of this Trust, and to appropriate and apply the whole or any part of the Trust Property or the income therefrom in securing (by way of mortgage, charge, pledge, deposit of title documents or otherwise) any such obligation or in guaranteeing or becoming surety for the same;

(g) to consent to and participate in any plan of reorganization, consolidation, merger, recapitalization, refinancing or other similar plan, and to consent to any contract, lease, mortgage, purchase, sale or other action by any corporation pursuant to such plan;

(h) to deposit any Property with any protective, reorganization or similar committee, to delegate discretionary power thereto, to pay the whole or any part of its expenses as compensation and any assessments levied regarding such property and, in the Trustee's sole discretion, to charge such expenses compensation or assessments to capital or income;

(i) to exercise will conversion, subscription, voting and other rights of whatever nature pertaining to any Property, and to grant proxies, discretionary or otherwise, with respect thereto;

(j) to register and hold any Property in the name of a nominee, or its own name, or to hold the same unregistered, or in such form that title shall pass by delivery, and the donee shall be neither increased nor decreased thereby;

(k) to employ and pay at the expense of income or capital, any agents anywhere in the world, whether attorneys, counsel, bankers, accountants, stock brokers, investment advisors, trust companies or other agents, and whether or not acting as Trustee hereof, and whether or not affiliated with the Trustee, to transact any business or do any act required to be transacted or done in the execution of this Trust Agreement (including, but not limited to, the receipt and payment of money, the execution of documents, the keeping of books of account of income and expenditures, the preparation from time to time of the Trustee's accounts, the investment of money and the sale of securities);

(l) to deposit and keep on deposit any Property with depositories outside of the situs of the Trust, including, without limiting the generality of the foregoing, any office of any affiliate of the Trustee;

(m) to charge against capital, income, or partly against each, payments of any kind;

(n) to waive, reduce, extend the time of payment of and compromise any claims in favor of or against Trust Property;

(o) to amortize or not, in whole or in part, premiums of any bonds received at a value, or purchased at a price, in excess of their call redemption or maturity value, and having done so, thereafter, in its absolute discretion, to allocate to the income or capital account all or any part of such amortization;

(p) to cause, at any time, one or more corporations to be organized under the laws of any county or political subdivision thereof, for the purpose of acquiring any Property, real, personal or both, including any Property subject to this Trust Agreement, and to lend funds or other property to, and to make contributions to the capital of any such corporation, in such amounts and upon such terms and conditions as the Trustee, in its sole discretion, may determine. The consideration on the sale of any Property governed by this Trust Agreement to any such corporation may consist wholly or partly of fully paid shares, stocks, or debentures, secured or unsecured, of such corporation, and may be treated as fully paid, and may be allotted to or otherwise vested in, the Trustee, and shall be considered as capital;

(q) to take any action whatever regarding the reorganization, consolidation, merger, dissolution, recapitalization or refinancing of any corporation organized by the Settlor or by the

Trustee pursuant to the authority granted to the Trustee herein, the shares of which may be a part of the capital of this Trust, and to take over the assets of such corporation upon such dissolution;

(r) to allocate to capital or to income, or partly to each, receipts of any kind, including, without limitation, liquidating dividends, dividends from corporations with wasting assets or royalties or rents from wasting assets;

(s) to litigate, adjust, compromise, submit to arbitration, release, waive or otherwise settle any claims against or in favor of this Trust or the Trustee, and to accept and grant discharges accordingly;

(t) to hold separate shares or separate Property wholly or partially for convenience of investment and administration;

(u) to enter into any indemnity agreement in favor of any person including any former Trustee of this Trust, regarding any contingent or prospective liability (including any tax, duty or other fiscal imposition) (of the Trust Property or the income therefrom or otherwise in connection with this Trust, and to apply the whole or any part of the Trust Property or the income therefrom by way of mortgage, pledge or otherwise as security for such indemnity agreement.

(v) to organize, under the laws of any jurisdiction any one or more separate trusts for the benefit of any one or more Beneficiaries, such trusts to contain such provisions as the Trustee, in its discretion, may deem appropriate, provided that such provisions do not conflict with the terms of the Trust Agreement.

In exercising any of its powers and duties hereunder the Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desire by the Settlor regarding this Trust.

7. NUMBER OF TRUSTEES; MEETINGS OF TRUSTEES; REMOVAL AND APPOINTMENT OF TRUSTEES.

7.1 Number of Trustees. The number of Trustees shall be not less than one (1) and not more than four (4). No United States Person or Legal Entity formed under the laws of the United States or any State within the United States shall be a Trustee of this Trust.

7.2 Meetings of Trustees. The Trustee shall meet for the dispatch of trust business, adjourn and otherwise regulate its meetings in such manner as the Trustee, in its sole and absolute discretion, thinks fit.

(b) The Settlor shall not have any interest in any investment made by the Trustee other than such legal interest as would a stranger to this Trust or to the trusts.

(c) Under no circumstances shall the Settlor or the Beneficiaries have any power to reacquire the whole of the Trust Fund, or any part thereof, by substituting property, other than cash of an equivalent value paid as a fair purchase price. The Settlor has no power to require the Trustee to deal with the Settlor in any manner, or in any particular manner, or to give the Settlor any power to reacquire the Trust Fund or any part thereof by substituting property, other than cash of an equivalent value paid as a fair purchase price. Nothing herein shall prevent the Trustee from lending funds for, guaranteeing or otherwise paying any or all liabilities of any Beneficiary with or without security, and with or without interest or at below market rates of interest, for a period not to extend beyond the Termination of this Trust.

(d) In no event shall the Settlor exercise any powers which have the effect of:

(i) defeating the irrevocability of this Trust Agreement or of the Trust created hereby; or

(ii) terminating the Trust prior to the date or time set forth elsewhere in this Trust Agreement; or

(iii) making this Trust Agreement amendable; or

(iv) this Trust losing its non-grantor trust status as mentioned herein.

If any power held by the Settlor, or the exercise thereof by the Settlor, shall have any adverse effect upon this Trust, the Trust Agreement or upon any Beneficiary, then such power of the Settlor shall be null and void ab initio.

6. GENERAL POWERS OF TRUSTEE.

In addition to such other powers as may be granted to it by law, the Trustee shall have full power in its discretion:

(a) to retain, sell, exchange and invest in any stocks, bonds, notes, debentures, mortgages, certificates of deposit, investment trusts, common trust funds, and other property, real and personal (including shares of stock and obligations of any corporation, business enterprise or investment company in which the Trustee has an interest or is a principal, regardless of where the same may be located or may be doing business and whether or not the same may be productive or speculative in nature and whether or not authorized by law for the investment of trust property as fully as if it were the beneficial owner, and without obligation to diversity and without regard to the proportion that such property, or property of a similar character held, may bear to the entire trust property;

(b) to purchase on behalf of the Trust, policies of insurance on or purchase annuities on the life or lives of any Beneficiary or on the life of any person in whose life any Beneficiary has an insurable interest. The Trustee may in its absolute discretion determine the class of, kind of and conditions attaching to the insurance or annuity to be purchased. Insurance includes term life insurance. The Trustee shall not be held responsible for the form, genuineness, validity, sufficiency or effect of any such policy or annuity or for the act of any person which may render any such policy or annuity null and void or voidable for the failure of the insurance company or issuing body to make payment upon such policy or annuity when due and payable or for any delay occasioned by reason of any provision contained in any such policy or annuity. The Trustee shall not be held responsible if, for any reason, any such policy, or annuity shall lapse or otherwise become unenforceable.

(c) to sell, (for cash or on credit, at public or private sale) mortgage, grant options on, exchange and lease for any term of years including a term of ten or more years which may extend beyond the duration of this Trust, any real and personal property;

(d) to make division or distribution in cash or in kind, real or personal, or undivided interest therein, or partly in each, and in shares which may be composed differently, and for such purpose, to place a valuation which shall be binding on any person entitled to any benefit hereunder;

(e) to borrow money for any lawful purpose from anyone, including the Trustee hereunder or any affiliate thereof, and to mortgage, charge or pledge any of the assets held as Trust Property as security for the repayment thereof. The Trustee shall be entitled to arrange for any such loan upon such terms as are usual, and shall not be required to account for any profit made in respect thereof, and any such loan shall be payable only out of the assets of this Trust;

(f) to make loans, secured or unsecured, and with or without interest, in such amounts and on such terms and conditions as the Trustee, in its sole discretion, may determine, to any person including any Beneficiary of this Trust, and to appropriate and apply the whole or any part of the Trust Property or the income therefrom in securing (by way of mortgage, charge, pledge, deposit of title documents or otherwise) any such obligation or in guaranteeing or becoming surety for the same;

(g) to consent to and participate in any plan of reorganization, consolidation, merger, recapitalization, refinancing or other similar plan, and to consent to any contract, lease, mortgage, purchase, sale or other action by any corporation pursuant to such plan;

(h) to deposit any Property with any protective, reorganization or similar committee, to delegate discretionary power thereto, to pay the whole or any part of its expenses as compensation and any assessments levied regarding such property and, in the Trustee's sole discretion, to charge such expenses compensation or assessments to capital or income;

(i) to exercise will conversion, subscription, voting and other rights of whatever nature pertaining to any Property, and to grant proxies, discretionary or otherwise, with respect thereto;

(j) to register and hold any Property in the name of a nominee, or its own name, or to hold the same unregistered, or in such form that title shall pass by delivery, and the donee shall be neither increased nor decreased thereby;

(k) to employ and pay at the expense of income or capital, any agents anywhere in the world, whether attorneys, counsel, bankers, accountants, stock brokers, investment advisors, trust companies or other agents, and whether or not acting as Trustee hereof, and whether or not affiliated with the Trustee, to transact any business or do any act required to be transacted or done in the execution of this Trust Agreement (including, but not limited to, the receipt and payment of money, the execution of documents, the keeping of books of account of income and expenditures, the preparation from time to time of the Trustee's accounts, the investment of money and the sale of securities);

(l) to deposit and keep on deposit any Property with depositories outside of the situs of the Trust, including, without limiting the generality of the foregoing, any office of any affiliate of the Trustee;

(m) to charge against capital, income, or partly against each, payments of any kind;

(n) to waive, reduce, extend the time of payment of and compromise any claims in favor of or against Trust Property;

(o) to amortize or not, in whole or in part, premiums of any bonds received at a value, or purchased at a price, in excess of their call redemption or maturity value, and having done so, thereafter, in its absolute discretion, to allocate to the income or capital account all or any part of such amortization;

(p) to cause, at any time, one or more corporations to be organized under the laws of any county or political subdivision thereof, for the purpose of acquiring any Property, real, personal or both, including any Property subject to this Trust Agreement, and to lend funds or other property to, and to make contributions to the capital of any such corporation, in such amounts and upon such terms and conditions as the Trustee, in its sole discretion, may determine. The consideration on the sale of any Property governed by this Trust Agreement to any such corporation may consist wholly or partly of fully paid shares, stocks, or debentures, secured or unsecured, of such corporation, and may be treated as fully paid, and may be allotted to or otherwise vested in, the Trustee, and shall be considered as capital;

(q) to take any action whatever regarding the reorganization, consolidation, merger, dissolution, recapitalization or refinancing of any corporation organized by the Settlor or by the

Trustee pursuant to the authority granted to the Trustee herein, the shares of which may be a part of the capital of this Trust, and to take over the assets of such corporation upon such dissolution;

(r) to allocate to capital or to income, or partly to each, receipts of any kind, including, without limitation, liquidating dividends, dividends from corporations with wasting assets or royalties or rents from wasting assets;

(s) to litigate, adjust, compromise, submit to arbitration, release, waive or otherwise settle any claims against or in favor of this Trust or the Trustee, and to accept and grant discharges accordingly;

(t) to hold separate shares or separate Property wholly or partially for convenience of investment and administration;

(u) to enter into any indemnity agreement in favor of any person including any former Trustee of this Trust, regarding any contingent or prospective liability (including any tax, duty or other fiscal imposition) (of the Trust Property or the income therefrom or otherwise in connection with this Trust, and to apply the whole or any part of the Trust Property or the income therefrom by way of mortgage, pledge or otherwise as security for such indemnity agreement.

(v) to organize, under the laws of any jurisdiction any one or more separate trusts for the benefit of any one or more Beneficiaries, such trusts to contain such provisions as the Trustee, in its discretion, may deem appropriate, provided that such provisions do not conflict with the terms of the Trust Agreement.

In exercising any of its powers and duties hereunder the Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desire by the Settlor regarding this Trust.

7. NUMBER OF TRUSTEES; MEETINGS OF TRUSTEES; REMOVAL AND APPOINTMENT OF TRUSTEES.

7.1 Number of Trustees. The number of Trustees shall be not less than one (1) and not more than four (4). No United States Person or Legal Entity formed under the laws of the United States or any State within the United States shall be a Trustee of this Trust.

7.2 Meetings of Trustees. The Trustee shall meet for the dispatch of trust business, adjourn and otherwise regulate its meetings in such manner as the Trustee, in its sole and absolute discretion, thinks fit.

3. Appointment and Exclusion of Beneficiaries

(1) The Trustees shall have power at any time and from time to time with the prior written consent of the Protector by revocable or irrevocable instrument in writing executed within the Trust Period to appoint and direct that any person or class of persons not already included in the class of Beneficiaries shall thenceforth be included in such class subject to such (if any) terms conditions or restrictions as may be specified in such instrument PROVIDED THAT the provisions of sub-clauses (2) and (3) shall apply to such person or class of persons whether or not such instrument is expressed to be irrevocable.

(2) The Trustees shall have power at any time and from time to time with the prior written consent of the Protector (except in cases to which the provisions of sub-clause (3) apply) by revocable or irrevocable instrument in writing executed during the Trust Period to declare that any person or class of persons for the time being included in the class of Beneficiaries or otherwise capable of benefiting under this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power or who would or might but for the exercise of this present power subsequently become so included or so capable of benefiting hereunder shall no longer be or be able to become so capable of benefiting hereunder and shall be or become a member of the class of Excepted Persons for all the purposes hereof or to

declare that the benefit which such person or class of persons shall be capable of receiving hereunder shall be restricted in such manner as may be specified in such instrument in writing.

(3) The Trustees shall if so directed in writing during the Trust Period by a Beneficiary or other person capable of benefiting under this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power who is adult and sui juris by revocable or irrevocable instrument in writing declare that permanently or for such period as such Beneficiary or other person shall direct such Beneficiary or other person shall no longer be included in the class of Beneficiaries or be capable of benefiting hereunder and shall be a member of the class of Excepted Persons for all the purposes hereof or that the benefit which such Beneficiary or other person shall be capable of receiving hereunder shall be restricted in such manner as such Beneficiary or other person may direct provided that if a Beneficiary directs the Trustees to exclude him from the whole benefit which such Beneficiary shall be capable of receiving hereunder then such instrument shall be irrevocable.

(4) From and after the execution of any such instrument as is mentioned in sub-clauses (1) (2) and (3) (so long as the same if revocable remains unrevoked (and in the case of any

instrument executed pursuant to the said sub-clause (1) subject to the provisions of any subsequent unrevoked or irrevocable instrument in writing executed pursuant to subclause (2) or (3))) the expression the "Beneficiaries" and the extent to which the person or class of persons to whom such instrument relates shall be capable of benefiting hereunder shall be construed in such manner as to give effect thereto (but without prejudice to any prior payment or application of the Trust Fund or the income thereof made under any power conferred by this Deed of Settlement or by law).

4. General Powers of Investment

(1) Subject as hereinafter provided the Trustees shall invest the Trust Fund in or upon such investments or property of whatever nature whether real or personal and wherever situated and whether producing income or not and whether involving risk and of a speculative nature or involving liability or not or upon such personal credit with or without security as the Trustees in their absolute discretion think fit to the intent that the Trustees shall have the same powers of investment in all respects as if they were the absolute owners of the Trust Fund beneficially entitled thereto and so that the Trustees shall have power to retain any investments or other property real or personal for the time being forming part of the Trust Fund for so long as the Trustees in their absolute discretion may think

(2) The Trustees with the consent of the Protector or the Protector acting alone shall have the power to move the administration of this Deed of Settlement at any time and from time to time to any other jurisdiction in the world.

(3) The rights of the Beneficiaries and the rights powers and duties of the Trustees under this Deed of Settlement and the construction and effect of every provision of this Deed of Settlement shall be determined according to the said law of the Jurisdiction which shall constitute the proper law of this deed of Settlement but they shall be subject to the exclusive jurisdiction of the courts of the place where this Deed of Settlement is from time to time administered which shall be the forum of administration for the time being of this Deed of Settlement.

PROVIDED THAT subject to sub-clause (4) the Trustees may at any time and from time to time by instrument in writing revocably or irrevocably declare that thenceforth or from such date as may be specified in such instrument:

(a) the proper law of this Deed of Settlement shall be changed to the law of the forum of administration of this Deed of Settlement for the time being: and/or

(b) the rights of all parties hereto and of all Beneficiaries hereunder and the construction and effect of each and every provision hereof shall no longer be determined according to the said law of the Jurisdiction but instead shall be determined as if they were governed by the law of the forum of administration of this Deed of Settlement for the time being.

(4) The power conferred upon the Trustees by sub-clause (3) shall not be exercisable so as to render this Deed of Settlement revocable or unenforceable or in such a way that any member of the class of Excepted Persons might be or become entitled to or capable of benefiting in any way in or from the Trust Fund or the income thereof and any such purported or attempted exercise of the said power shall be void and of no effect to the extent (but consistently with Clause 20 only to the extent) that such purported or attempted exercise would or might render this Deed of Settlement revocable or unenforceable or render any member of the class of Excepted Persons so entitled or capable of so benefiting.

3. Appointment and Exclusion of Beneficiaries

(1) The Trustees shall have power at any time and from time to time to with prior written consent of the Protector by revocable or irrevocable instrument in writing executed within the Trust Period to appoint and direct that any person or class of persons not already included in the class of Beneficiaries shall thenceforth be included in such class subject to such (if any) terms conditions or restrictions as may be specified in such instrument PROVIDED THAT the provisions of sub-clause (2) and (3) shall apply to such person or class of persons whether or not such instrument is expressed or irrevocable.

(2) The Trustees shall have power at any time and from time to time with the prior written consent of the Protector (except in cases to which the provisions of sub-clauses (3) apply) by revocable or irrevocable instrument in writing executed during the Trust Period to declare that any person or class of persons for the time being included in the class of Beneficiaries or otherwise capable of benefiting under this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power or who would or might but for the exercise of this present power subsequently become so included or so capable of benefiting hereunder shall no longer be or be able to become so capable of benefiting hereunder and shall be or become a member of the class of Excepted Persons for all the purposes hereof or to declare that the benefit with such person or class of persons shall be capable of receiving hereunder shall be restricted in such manner as may be specified in such instrument in writing for a limited or indefinite period

(3) The Trustees shall if so directed in writing during the Trust Period by a Beneficiary or other person capable of benefiting hereunder this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power who is adult and sui juris by revocable or irrevocable instrument in writing declare that permanently or for such period as such Beneficiary or other person shall direct such Beneficiary or other person shall no longer be included in the class of Beneficiaries or be capable of benefiting hereunder and shall be a member of the class of Excepted Persons for all the purposes hereof or that the benefit with such Beneficiary or other person shall be capable of receiving hereunder shall be restricted in such manner as such Beneficiary or other person may direct provided that if a Beneficiary directs the Trustees to exclude him from the whole benefit which such beneficiary shall be capable of receiving hereunder then such instrument shall be irrevocable.

(4) From and after the execution of any such instrument as is mentioned in sub-clauses (1) (2) and (3) (so long as the same if revocable remains unrevoked (and in the case of any instrument executed pursuant to the said sub-clause (1) subject to the provisions of any subsequent unrevoked or irrevocable instrument in writing executed pursuant to subclause (2) or (3))) the expression the "Beneficiaries" and the extent to which the person or class of persons to whom such instrument relates shall be capable of benefiting hereunder shall be construed in such manner as to give effect thereto (but without prejudice to any prior payment or application of the Trust Fund or the income thereof made under any power conferred by this Deed of Settlement or by law).

4. General powers of Investment

(1) Subject as hereinafter provided the Trustee shall invest the Trust Fund in or upon such investments or property of whatever nature whether real or personal and

(4) The power conferred upon the Trustees by sub-clause (3) shall not be exercisable so as to render this Deed of Settlement revocable or unenforceable or in such a way that any member of the class of Excepted Persons might be or become entitled to or capable of benefiting in any way in or from the Trust Fund or the income thereof and any such purported or attempted exercise of the said power shall be void and of no effect to the extent (but consistently with Clause 20 only to the extent) that such purported or attempted exercise would or might render this Deed of Settlement revocable or unenforceable or render any member of the class of Excepted Persons so entitled or capable of so benefiting.

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(2) The Trustees shall have power at any time and from time to time with the prior written consent of the Protector (except in cases to which the provisions of sub-clause (3) apply) by revocable or irrevocable instrument in writing executed during the Trust Period to declare that any person or class of persons for the time being included in the class of Beneficiaries or otherwise capable of benefiting under this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power or who would or might but for the exercise of this present power subsequently become so included or so capable of benefiting hereunder shall no longer be or be able to become so capable of benefiting hereunder and shall be or become a member of the class of Excepted Persons for all the purposes hereof or to declare that the benefit which such person or class of persons shall be capable of receiving hereunder shall be restricted in such manner as may be specified in such instrument in writing.

(3) The Trustees shall if so directed in writing during the Trust Period by a Beneficiary or other person capable of benefiting under this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power who is adult and sui juris by revocable or irrevocable instrument in writing declare that permanently or for such period as such Beneficiary or other person shall direct such Beneficiary or other person shall no longer be included in the class of Beneficiaries or be capable of benefiting hereunder and shall be a member of the class of Excepted Persons for all the purposes hereof or that the benefit

which such Beneficiary or other person shall be capable of receiving hereunder shall be restricted in such manner as such Beneficiary or other person may direct provided that if a Beneficiary directs the Trustees to exclude him from the whole benefit which such Beneficiary shall be capable of receiving hereunder then such instrument shall be irrevocable.

(4) From and after the execution of any such instrument as is mentioned in sub-clauses (1), (2) and (3) (so long as the same if revocable remains unrevoked (and in the case of any instrument executed pursuant to the said sub-clause (1) subject to the provisions of any subsequent unrevoked or irrevocable instrument in writing executed pursuant to subclause (2) or (3))) the expression the "Beneficiaries" and the extent to which the person or class of persons to whom such instrument relates shall be capable of benefiting hereunder shall be construed in such manner as to give effect thereto (but without prejudice to any prior payment or application of the Trust Fund or be income thereof made under any power conferred by this Deed of Settlement or by law).

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(1) Subject as hereinafter provided the Trustees shall invest the Trust Fund in or upon such investments or property of whatever nature whether real or personal and wherever situated and whether producing income or not and whether involving risk and of a speculative nature or involving liability or not or upon such personal credit with or without security as the Trustees in their absolute discretion think fit to the intent that the Trustees shall have the same powers of investment in all respects as if they were the absolute owners of the Trust Fund beneficially entitled thereto and so that the Trustees shall have power to retain any investments or other property real or personal for the time being forming part of the Trust Fund for so long as the Trustees in their absolute discretion may think fit or at any time at their discretion to sell, call in and convert into monies the same or any part thereof and the Trustees shall at the like discretion invest the monies produced therefrom in or upon any of the investments or property hereby authorized with power at such discretion as aforesaid to vary or transpose any investments or property for or into others of any nature hereby authorized.

(2) The income of the Trust Fund shall include without apportionment any income accrued or accruing but not actually paid or payable at the date upon which the underlying property to which it relates becomes subject to the trusts of this Deed of Settlement (unless the terms upon which such property is acquired preclude such treatment).

(2) The Trustees with the consent of the Protector or the Protector acting alone shall have the power to move the administration of this Deed of Settlement at any time and from time to time to any other jurisdiction in the world.

(3) The rights of the Beneficiaries and the rights powers and duties of the Trustees under this Deed of Settlement and the construction and effect of every provision of this Deed of Settlement shall be determined according to the said law of the Jurisdiction which shall constitute the proper law of this deed of Settlement but they shall be subject to the exclusive jurisdiction of the courts of the place where this Deed of Settlement is from time to time administered which shall be the forum of administration for the time being of this Deed of Settlement.

PROVIDED THAT subject to sub-clause (4) the Trustees may at any time and from time to time by instrument in writing revocably or irrevocably declare that thenceforth or from such date as may be specified in such instrument:

(a) the proper law of this Deed of Settlement shall be changed to the law of the forum of administration of this Deed of Settlement for the time being: and/or

(b) the rights of all parties hereto and of all Beneficiaries hereunder and the construction and effect of each and every provision hereof shall no longer be determined according to the said law of the Jurisdiction but instead shall be determined as if they were governed by the law of the forum of administration of this Deed of Settlement for the time being.

(4) The power conferred upon the Trustees by sub-clause (3) shall not be exercisable so as to render this Deed of Settlement revocable or unenforceable or in such a way that any member of the class of Excepted Persons might be or become entitled to or capable of benefiting in any way in or from the Trust Fund or the income thereof and any such purported or attempted exercise of the said power shall be void and of no effect to the extent (but consistently with Clause 20 only to the extent) that such purported or attempted exercise would or might render this Deed of Settlement revocable or unenforceable or render any member of the class of Excepted Persons so entitled or capable of so benefiting.

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(3) The Trustees shall if so directed in writing during the Trust Period by a Beneficiary or other person capable of benefiting hereunder this Deed of Settlement in consequence of the exercise by the Trustees of any discretion or power who is adult and sui juris by revocable or irrevocable instrument in writing declare that permanently or for such period as such Beneficiary or other person shall direct such Beneficiary or other person shall no longer be included in the class of Beneficiaries or be capable of benefiting hereunder and shall be a member of the class of Excepted Persons for all the purposes hereof or that the benefit with such Beneficiary or other person shall be capable of receiving hereunder shall be restricted in such manner as such Beneficiary or other person may direct provided that if a Beneficiary directs the Trustees to exclude him from the whole benefit which such beneficiary shall be capable of receiving hereunder then such instrument shall be irrevocable.

(4) From and after the execution of any such instrument as is mentioned in sub-clauses (1) (2) and (3) (so long as the same if revocable remains unrevoked (and in the case of any instrument executed pursuant to the said sub-clause (1) subject to the provisions of any subsequent unrevoked or irrevocable instrument in writing executed pursuant to subclause (2) or (3))) the expression the "Beneficiaries" and the extent to which the person or class of persons to whom such instrument relates shall be capable of benefiting hereunder shall be construed in such manner as to give effect thereto (but without prejudice to any prior payment or application of the Trust Fund or the income thereof made under any power conferred by this Deed of Settlement or by law).

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8. COMMITTEE OF TRUST PROTECTORS.

8.1 Constitution. A Committee of Trust Protectors is hereby constituted to provide advice to the Trustee. Should the Committee deem it desirable to release or to restrict any of its powers or the exercise thereof it shall promptly notify the Trustee in writing.

8.2 Membership. The Committee of Trust Protectors shall be comprised of no more than five (5) members and no fewer than one (1) member. The first Chairman and members of the Committee shall be those persons named in Schedule "A", Section 3. The members shall hold office until such time as such appointees shall respectively die, resign, or become legally incompetent. The Committee may at any time by a majority vote of the members of the Committee, each member having one (1) vote, appoint additional or replacement members of the Committee, and if at any time there is no person who is a member of the Committee, then the Trustee shall appoint independent persons to the Committee within ninety (90) days of notice being received by the Trustee that there is no member of the Committee. If the Trustee fails to appoint new members of the Committee within the said period of ninety (90) days, then the Beneficiaries shall appoint independent persons to the Committee. Such appointment shall be by a majority vote of the Beneficiaries, with each Beneficiary having one (1) vote. In the case of a tie the eldest Beneficiary in years of age shall have a second or casting vote. Any individual may serve as a member of the Committee, other than (i) the Settlor and, (ii) until the expiration of the second anniversary following the death of the Settlor, any Beneficiary; provided that at no time shall a majority of the Committee consist of Beneficiaries. No such individual shall serve both as a Trustee and as a member of the Committee.

8.3 Vice-Chairman and successor Chairman. The Committee may appoint a Vice-Chairman to serve for a term to be designated by the Committee and the Vice-Chairman shall also be the successor Chairman to serve in the capacity of Chairman in the event that the Chairman shall resign or for any reason cease or be unable to act as Chairman, or be unable to chair any meeting of the Committee. Vice-Chairmen shall be appointed by majority vote of the members of the Committee, with each member having one (1) vote. All appointments and designations shall be made by an instrument in writing duly signed and acknowledged by the Committee and delivered to the Trustee. In the event that a successor Chairman has not been designated and the Chairman ceases is unable or is unwilling to act as Chairman, then the then-acting Vice-Chairman shall succeed to the position of Chairman. Should the Vice-chairman cease or be unable to serve in the capacity of Chairman, then the Committee is empowered and directed to appoint any member of the Committee to act as a successor Chairman hereunder. The Committee also has the power to terminate any such appointment at any time with or without cause.

8.4 Voting. All actions taken and advice rendered by the Committee shall require the approval of a majority of the members. Approvals signed on a counterpart document shall be as valid as if all Committee members had signed the same document. In any voting on any

matter requiring any decision, action or approval by the Committee, each member shall have one (1) vote and in the case of equality of votes, the Chairman or acting Chairman shall have a second or casting vote.

8.5 Removal, appointment and replacement of the Trustee. Subject to any provisions in this Trust Agreement to the contrary, the Committee is empowered to remove, appoint or replace any Trustee with or without cause at any time, and may exercise all the powers expressed or implied which are given to the Committee in this Trust Agreement.

8.6 Inspection. The Committee or any member thereof shall at all times with or without notice to the Trustee shall have the right to inspect and copy all the books and records, including but not limited to all minutes of meetings of the Trustee and of all documents considered by the Trustee in making any decision pursuant to their powers hereunder, or relating to the Trust created hereby or of any trust created hereunder. In making any inspection the Committee or member shall be entitled to be accompanied by any advisors of his choice.

8.7 Delegation of Authority. Each individual Committee member has the power to delegate his right, power, authority and discretion to one or more other individuals as the delegating Committee member may select and appoint, other than the Settlor or any Beneficiary, if in the opinion of the delegating Committee member, such delegation is in the best interest of the Beneficiaries of this or any Trust created pursuant to this Trust Agreement. The power of delegation shall be exercised by delivery by the delegating Committee member to the co-members of the Committee and to the Trustee, of written notice of the powers delegated. This delegation shall terminate when the delegating Committee member delivers to the co-members of the Committee and to the Trustee written notice that the delegation has terminated. The delegating Committee member shall incur no liability in the absence of bad faith, fraud, misconduct, negligence or willful wrongdoing to any Beneficiary as a result of any actions taken or not taken within the scope of the delegation during the period of delegation. The Trustee may grant an indemnity out of the Trust Fund to any Committee member or to such delegatee upon such terms and conditions as the Trustee may think fit.

9. RECORDS AND ACCOUNTING.

9.1 Keeping of records and accounts. The Trustee shall keep accurate accounts and shall have them audited annually, subject to this Trust Agreement, by a firm of certified public accountants or chartered accountants of good repute. The expenses of such audit shall be paid either out of the capital or income of the Trust Fund as the Trustee may decide. The requirement of an annual audit shall only apply if the Settlor or any Beneficiary so requests and notifies the Trustee in writing. All records and accounts shall be open to inspection by the Committee and its advisors who may take copies thereof.

8. COMMITTEE OF TRUST PROTECTORS.

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8.2 Membership. The Committee of Trust Protectors shall be comprised of no more than five (5) members and no fewer than one (1) member. The first Chairman and members of the Committee shall be those persons named in Schedule "A", Section 3. The members shall hold office until such time as such appointees shall respectively die, resign, or become legally incompetent. The Committee may at any time by a majority vote of the members of the Committee, each member having one (1) vote, appoint additional or replacement members of the Committee, and if at any time there is no person who is a member of the Committee, then the Trustee shall appoint independent persons to the Committee within ninety (90) days of notice being received by the Trustee that there is no member of the Committee. If the Trustee fails to appoint new members of the Committee within the said period of ninety (90) days, then the Beneficiaries shall appoint independent persons to the Committee: Such appointment shall be by a majority vote of the Beneficiaries, with each Beneficiary having one (1) vote. In the case of a tie the eldest Beneficiary in years of age shall have a second or casting vote. Any individual may serve as a member of the Committee, other than (i) the Settlor and, (ii) until the expiration of the second anniversary following the death of the Settlor, any Beneficiary; provided that at no time shall a majority of the Committee consist of Beneficiaries. No such individual shall serve both as a Trustee and as a member of the Committee.

8.3 Vice-Chairman and successor Chairman. The Committee may appoint a Vice-Chairman to serve for a term to be designated by the Committee and the Vice-Chairman shall also be the successor Chairman to serve in the capacity of Chairman in the event that the Chairman shall resign or for any reason cease or be unable to act as Chairman, or be unable to chair any meeting of the Committee. Vice-Chairmen shall be appointed by majority vote of the members of the Committee, with each member having one (1) vote. All appointments and designations shall be made by an instrument in writing duly signed and acknowledged by the Committee and delivered to the Trustee. In the event that a successor Chairman has not been designated and the Chairman ceases is unable or is unwilling to act as Chairman, then the then-acting Vice-Chairman shall succeed to the position of Chairman. Should the Vice-chairman cease or be unable to serve in the capacity of Chairman, then the Committee is empowered and directed to appoint any member of the Committee to act as a successor Chairman hereunder. The Committee also has the power to terminate any such appointment at any time with or without cause.

8.4 Voting. All actions taken and advice rendered by the Committee shall require the approval of a majority of the members. Approvals signed on a counterpart document shall be as valid as if all Committee members had signed the same document. In any voting on any

matter requiring any decision, action or approval by the Committee, each member shall have one (1) vote and in the case of equality of votes, the Chairman or acting Chairman shall have a second or casting vote.

8.5 Removal, appointment and replacement of the Trustee. Subject to any provisions in this Trust Agreement to the contrary, the Committee is empowered to remove, appoint or replace any Trustee with or without cause at any time, and may exercise all the powers expressed or implied which are given to the Committee in this Trust Agreement.

8.6 Inspection. The Committee or any member thereof shall at all times with or without notice to the Trustee shall have the right to inspect and copy all the books and records, including but not limited to all minutes of meetings of the Trustee and of all documents considered by the Trustee in making any decision pursuant to their powers hereunder, or relating to the Trust created hereby or of any trust created hereunder. In making any inspection the Committee or member shall be entitled to be accompanied by any advisors of his choice.

8.7 Delegation of Authority. Each individual Committee member has the power to delegate his right, power, authority and discretion to one or more other individuals as the delegating Committee member may select and appoint, other than the Settlor or any Beneficiary, if in the opinion of the delegating Committee member, such delegation is in the best interest of the Beneficiaries of this or any Trust created pursuant to this Trust Agreement. The power of delegation shall be exercised by delivery by the delegating Committee member to the co-members of the Committee and to the Trustee, of written notice of the powers delegated. This delegation shall terminate when the delegating Committee member delivers to the co-members of the Committee and to the Trustee written notice that the delegation has terminated. The delegating Committee member shall incur no liability in the absence of bad faith, fraud, misconduct, negligence or willful wrongdoing to any Beneficiary as a result of any actions taken or not taken within the scope of the delegation during the period of delegation. The Trustee may grant an indemnity out of the Trust Fund to any Committee member or to such delegatee upon such terms and conditions as the Trustee may think fit.

9. RECORDS AND ACCOUNTING.

9.1 Keeping of records and accounts. The Trustee shall keep accurate accounts and shall have them audited annually, subject to this Trust Agreement, by a firm of certified public accountants or chartered accountants of good repute. The expenses of such audit shall be paid either out of the capital or income of the Trust Fund as the Trustee may decide. The requirement of an annual audit shall only apply if the Settlor or any Beneficiary so requests and notifies the Trustee in writing. All records and accounts shall be open to inspection by the Committee and its advisors who may take copies thereof.

Michael C. French
[redacted]
Dallas, Texas 75201

= Redacted by the Permanent Subcommittee on Investigations

December 21, 2000

Aundyr Trust Company Ltd.
International House
Castle Hill, Victoria Road
Douglas, Isle of Man IM2 4RB
British Isles

Ms. Sharyl Robertson
c/o Irish Trust Company
P. O. Box 30868SMB
5th Floor, Ugland House
George Town Grand Cayman
Cayman Islands, BWI

Re: Pitkin Trust II

Dear Sir/Madam:

This letter is addressed to you as Trustee and Protector, respectively, of the Pitkin Trust II, a trust created under the laws of the Isle of Man (the "Trust").

I hereby resign as Protector of the Trust, effective as of January 23, 2001. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Sincerely,

Michael C. French

DL-1150053v2

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 534

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Shari Robertson
12/26/2000 07:41 AM

To: mboucher@[redacted]
cc: Evan Wyly/[redacted] Don Miller/[redacted]
Subject: Protector issues

I believe that Mike signed a document last week resigning as Protector of all Trusts. You had mentioned that the Wyly's wanted to add you immediately upon resignation of Mike pending the new protector company. Will you see to the necessary paperwork? I think it some instances I appoint additional protectors. In other instances I believe I need to resign before new protectors may be appointed I just think it is smart to get an additional protector added. Additionally, I know Mike was "chairman" of the protector committee. Don't know whether that capacity is necessary and who the Wyly's want I'll let you take care of all, unless I need to be involved.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Shari Robertson 08/19/1999 07:29 AM
To: Michelle Boucher [redacted]
cc:
Subject: Re: fs

Are we talking about July? I did do June. Hope we're not duplicating efforts.

There's a lot going on (why does it always work this way?), keeps life interesting.

CW is selling two properties in Co. to Quayle. I think where we're getting is that Quayle will form 2 subsidiaries which are U.S. Corps. Should know later today. We've talked with Bond and he's okay with the Castlecreek purchasing properties that will be used by the "potential" beneficiaries of the trust. This is a non-reportable item by the Trusts and the U.S. parties. Rodney is doing the legal work. I sent to your office and Bond copies of the appraisals and selling prices. Hope to close this next week.

Sam still has a contract pending on one property. It is up to him to determine whether he wants to counter. I'm not sure what he's going to do. He seemed to be getting a little worried about the markets and wasn't too sure he should be spending $10 - $14 million to purchase the property and then spending money on building houses.

D. Harris has been raising hell about the money going into Green Mountain. It's not that I don't think he should be, just adds one more stress level. Currently he has agreed to fund through Sept. I've had that discussion with both Sam and Evan. Surprisingly, Sam did not explode, but it actually seemed to cause him to step back and re-think the money is spending. We'll see what happens. Anyway, I do think we need to give notice to FUND to redeem $10 million for the SW entities to fund Green. Do you have time to give me a recommendation on needs to get redemption notices in before 9/1?

There's be some new trust regulations and ugly case law recently. From several lawyers Mike and I have been strongly recommended that we no longer serve as "U.S. citizens", as protectors. We're thinking about forming a Channel Island corp. that is the protector. The owners would be Mike and I < 50% (stay out of the CFC rules) and you, David Harris, David Bester, Daughtery and Fullerlove the other owners. Mike is particularly concerned about all the bad press about Cayman lately. That's why he's picking the Channel Islands. We're thinking it might be good for the administrative fee from the trusts to be paid to this new corp and then hire ITC as an administrator. We're still exploring....I'll keep you informed as we get further along.

Michelle Boucher <mboucher@[redacted] on 08/18/99 04:27:46 PM

Michelle Boucher <mboucher@candw.ky> on 08/18/99 04:27:46 PM

To: Shari Robertso[redacted]
cc:

Subject: fs

I finished the consolidation, and did a reasonableness check at the CW and SW and domestic consolidation levels. I had some questions for Elaine re: Brush Creek's holdings and valuations of SSW, SE and MIKE. Also, her summary sheets did not show the correct MV per share, but had the right extended total market value since they were pulled up from sub-sheets.

Hopefully she'll respond first thing tomorrow and I can get he file sent to you tomorrow afternoon or night. If I can't get in the office tomorrow, Lara will pick it up from me tomorrow night and upload it to you Friday

[redacted]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 534

PSI-WYBR 00529

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

February 6, 2004

IFG International Trust Company Ltd.
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Bessie Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Protector, respectively, of the Bessie Trust, a trust created under the laws of Isle of Man on 2nd February 1994 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

February 6, 2004

IFG International Trust Company Ltd.
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Bulldog Trust II

Dear Sir/Madam

This letter is addressed to you as Trustee and Protector, respectively, of the Bulldog Trust II, a trust created under the laws of Isle of Man (the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

February 6, 2004

IFG International Trust Company Ltd.
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Ginger Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Protector, respectively, of the Ginger Trust, a trust created by Deed of Appointment dated 27th March 2001 (the "Sub Trust") our of the Bessie Trust, a trust created under the laws of the Isle of Man on 2nd February 1994 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

February 6, 2004

Intercontinental Management Limited
Prospect Chambers
Prospect Hill
Douglas, Isle of Man
IM1 1ET
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: The LaFourche Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Protector, respectively, of the LaFourche Trust, a trust created under the laws of Isle of Man (the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

February 6, 2004

Trident Trust Company (I.O.M.) Limited
P.O. Box 175
12-14 Finch Road
Douglas, Isle of Man
IM99 1TT
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Pitkin Trust II

Dear Sir/Madam

This letter is addressed to you as Trustee and Protector, respectively, of the Pitkin Trust II, a trust created under the laws of Isle of Man (the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

February 6, 2004

Trident Trust Company (I.O.M.) Limited
P.O. Box 175
12-14 Finch Road
Douglas, Isle of Man
IM99 1TT
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: The Tyler Trust & The Chaos Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Tyler Trust (including its constituent sub-fund, the Chaos Trust), a trust created under the laws of Isle of Man by deed dated 2nd February 1994 as later varied by deed dated 23rd January 2001 (together the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

February 6, 2004

CloseTrustees (Isle of Man) Limited
P.O. Box 203
St. George's Court
Upper Church Street
Douglas, Isle of Man
IM99 1RB
British Isles

Ms. Michelle Boucher
C/o Irish Trust Company Limited
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Red Mountain Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Protector, respectively, of the Red Mountain Trust, a trust created under the laws of Isle of Man (the "Trust").

I hereby resign as the Protector of the Trust, effective as of February 6, 2004. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours Truly,

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

November 25th, 2004

Trident Trust Company (I.O.M.) Limited
P.O. Box 175
12-14 Finch Road
Douglas, Isle of Man
IM99 1TT
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Pitkin Trust (formerly Pitkin Non-Grantor Trust)

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Pitkin Trust, a trust created under the laws of Isle of Man on 23rd March 1992 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

November 25th, 2004

Trident Trust Company (I.O.M.) Limited
P.O. Box 175
12-14 Finch Road
Douglas, Isle of Man
IM99 1TT
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Castle Creek International Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Castle Creek International Trust, a trust created under the laws of Isle of Man on 4th December 1992 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

November 25th, 2004

IFG International Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: The Bessie Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of The Bessie Trust, a trust created under the laws of Isle of Man on 2nd February 1994 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

November 25th, 2004

IFG International Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Ginger Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Ginger Trust, a trust created by Deed of Appointment dated 27th March 2001 (the "Sub Trust") out of The Bessie Trust, a trust created under the laws of the Isle of Man on 2nd February 1994 (the "Trust").

I hereby resign as the Protector of the Sub Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Sub Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

November 25th, 2004

Inter-Continental Management Limited
Prospect Chambers
Prospect Hill
Douglas, Isle of Man
IM1 1ET
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: La Fourche Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the LaFourche Trust, a trust created under the laws of Isle of Man on 18th July 1995 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

November 25th, 2004

Trident Trust Company (I.O.M.) Limited
P.O. Box 175
12-14 Finch Road
Douglas, Isle of Man
IM99 1TT
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: The Tyler Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of The Tyler Trust, a trust created under the laws of Isle of Man by deed dated 2nd February 1994 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

November 25th, 2004

IFG International Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Bulldog Trust (formerly Bulldog Non-Grantor Trust)

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Bulldog Trust, a trust created under the laws of Isle of Man on 11th March, 1992 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

November 25th, 2004

Close Trustees (Isle of Man) Limited
P.O. Box 203
St. George's Court
Upper Church Street
Douglas, Isle of Man
IM99 1RB
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: The Red Mountain Trust

Dear Sir/Madam,

This letter is addressed to you as Trustee and Co-Protector, respectively, of The Red Mountain Trust, a trust created under the laws of Isle of Man on 18th July 1995 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

November 25th, 2004

IFG International Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Lake Providence International Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Lake Providence International Trust, a trust created under the laws of Isle of Man on 4th December 1992 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

November 25th, 2004

IFG International Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Delhi International Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Delhi International Trust, a trust created under the laws of Isle of Man on 4th December 1992 (the "Trust").

I hereby resign as the Protector of the Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Trust as of such date.

Yours truly,

Sharyl Robertson

Sharyl Robertson

Sharyl Robertson

Redacted by the Permanent Subcommittee on Investigations

November 25th, 2004

Trident Trust Company (I.O.M.) Limited
P.O. Box 175
12-14 Finch Road
Douglas, Isle of Man
IM99 1TT
British Isles

Ms. Michelle Boucher
C/o The Irish Trust Company (Cayman) Ltd
P.O. Box 10658 APO
5th Floor, Harbour Place
George Town, Grand Cayman
Cayman Islands, British West Indies

Re: Chaos Trust

Dear Sir/Madam

This letter is addressed to you as Trustee and Co-Protector, respectively, of the Chaos Trust, a trust created by Deed of Appointment dated 7th January 2002 (the "Sub Trust") out of The Tyler Trust, a trust created under the laws of the Isle of Man on 2nd February 1994, (the "Trust").

I hereby resign as the Protector of the Sub Trust, effective as of the date of this letter. I further relinquish all fiduciary and other authority (including any authority to act as attorney or agent) with respect to the Sub Trust as of such date.

Yours truly,

Sharyl Robertson

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 535

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

TO:	Charles Wyly		From:	Michelle Boucher	
		Redacted by the Permanent Subcommittee on Investigations	Fax:	345-[redacted]	Redacted by the Permanent Subcommittee on Investigation
FAX:	1-214-		Tel:	345-[redacted]	
DATE:	October 31st, 2000				

We are transmitting ____ page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

Further to my conference call with Sam last week, please find attached a summary of issues relating to the selection of protectors as well as specific suggestions.

As you are aware, we have a substantive meeting set up in Cayman for November 28th, which we hope will move us well forward to establishing the Protector Company. Rodney Owens, Keeley, Shari and myself will be in attendance at the meeting with Cayman based attorneys Maples & Calder.

If you have any questions or comments, I'd be pleased to discuss them at your convenience.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 536

List of Candidates for Protector or Directors of the Protector Company:

General Guidelines:

Protectors should be individuals who:
- are familiar with the Wyly activities
- have knowledge and expertise in structuring transactions and investing in the types of assets required
- are familiar with and comfortable to interact with trustees, attorneys, brokers and other financial intermediaries to co-ordinate and ensure proper execution of trust activities
- have the time available to fill their role adequately and responsibly, and be able to act and react within required time frames
- understand the responsibilities and liabilities they undertake by serving in this role
- are likely to be involved with Wyly activities on an continuing and long term basis
- as a group are not 'controlled' by U.S. residents or citizens (ie. No more than 50% of the directors should be U.S. residents or citizens)
- are not Wyly Family members

Specific Suggestions:

- Family office employees – domestic and foreign
- Directors of Cayman Island entities (Maverick, Irish Trust, Edinburgh etc…) These individuals have experience and history with the family and their investment vehicles. I suggest, Dennis Hunter and/or Karin Bodden
- International service providers with whom we've established long term relationships – such as Dan Scott (audit partner at Ernst & Young) or Henry Smith at Maples & Calder (assuming they are not conflicted)
- Other individuals who act as professional directors such as Mike Austin (a director of Scottish Annuity and former KPMG partner) or Martin Lang (with International Management Services in Cayman, acts as director to over 120 mutual funds, including Precept International)
- Attorneys that offer professional protector services – such as International Protector Company in the Cayman Islands, or Wiggin & Co's BVI protector company. (Although there are some risks involved by bringing somewhat 'unknown' parties to the group– from a transactional and confidentiality perspective which would need to be properly considered)
- Other internationally based individuals with whom family members have professional relationships
- Other internationally based individuals with whom existing protectors, trustees, and attorneys have developed relationships with on behalf of the family.
- U.S. attorneys and other trusted service providers – such as Rodney Owens (assuming they are also not conflicted)

[redacted] = Redacted by the Permanent Subcommittee on Investigations

FAX TRANSMITTAL

To:	**Sam, Charles, Evan, Donnie & Lisa**	From:	**Shari**
Company:		Phone:	**214 880 4050**
Phone:		Fax:	**214 880 4052**
Fax:		Date:	**August 7, 1998**
Number of pages:	**1**	Time:	**5:16 PM**

Comments:

At Evan's request I've started writing a dialogue about my responsibilities in the family office. I'm sure I will be adding to this over the next several months as I run across items that I tend to take care of, but haven't yet thought to write down.

CFO Responsibilities:

Banking Relationships & Negotiations

1) Bank: Nations Bank, 901 Main Street, 19th Floor, Dallas, Texas 75283
2) Loan Officer: Marta Engram, (214) [redacted]
3) Loan Officer Assistant: Tony Hill, (214) [redacted]
4) Loan Facility:
   a) Maturity Date: 11/22/99
   b) Commitment: $98,500,000
      Sam Wyly Family - $50,650,000:
         Tallulah, Ltd., $21,300,000
         Marmalade, Ltd., $4,250,000
         Laurie Wyly Trust, $6,400,000
         Lisa Wyly Trust, $6,400,000
         Kelly Wyly Trust, $5,800,000
         Andrew Wyly Trust, $3,250,000
         Christiana Wyly Trust, $3,250,000
      Charles Wyly Family - $47,850,000:
         Brush Creek, Ltd., $15,650,000
         Martha Wyly Trust, $7,600,000
         Charles Wyly Trust, $8,200,000
         Emily Wyly Trust, $8,200,000
         Jennifer Wyly Trust, $8,200,000
5) Loan Terms:
   a) Tranche A:
      Collateral – Common stock of Michael's Stores (MIKE), Sterling Software (SSW), and Sterling Commerce (SE).
      Interest Rate – LIBOR + 1.05%
      Advance Ratio – 50% of market value
      Call Ratio – 65% of market value
      Loan to Value – Exceeds 60%, requirement to bring back to 50%

300 Crescent Court • Suite 1000 • Dallas, TX 75201 • 214/880-4100 • Fax 214/880-4104

[redacted] = Redacted by the Permanent Subcommittee on Investigations

b) Tranche B:
Collateral – partnership interest in Maverick Fund USA, Ltd.
Interest Rate – LIBOR + 1.05%
Advance Ratio – 40% of market value
Call Ratio – 65% of market value
Loan to Value – Exceeds 60%, requirement to bring back to 50%

5) Loan Negotiations: CFO with Bank Officer, review with and approve by Family members
6) Legal Review: CFO with Jones Day
7) Day to day management of Credit Facility:
   a) Sam Wyly Family – Rena Alexander
   b) Charles Wyly Family – Amy Browning
   c) Credit Facility Summary Sheet – Amber Feltman
8) Prior Banking and Credit Relationships:
   a) Citibank, Gina Volturo, (214) [redacted]
   b) Lehman Bros., Lou Schaufle, (214) [redacted]

Custody Related:

1) Custody – Has not been a huge issue due to the limited number of securities and legal documents held by the family members. As additional estate planning is completed and the family diversifies its portfolio, more controls will need to be implemented.
   a) Custody Book (Amy Browning is responsible) shows the location of:
   Securities
   Legal documents such as wills, trust deeds, custody agreements, power of attorney, etc.
   b) Central files are maintained for tax returns, accounts payable, bank statements, corporate filings, notes, general ledgers, financials etc.

Stock Related:

1) Custody book will show who is holding the securities. Currently, the MIKE, SSW and SE is held as collateral at Nations Bank
2) Stock Sales decisions are made by family members, CFO administers the sale of the securities
   a) Stock sales have typically be completed with brokers that the family has long term relationships with. The brokers that have been utilized in the recent past are: 1) Lou Schaufele, Lehman Bros., (214) [redacted]; 2) Tony Skvarla, Bear Stearns, 1(800)-[redacted] and 3) Ralph Davis, Hoak Securities , (214) [redacted] Brokers are listed in the order of most frequently used.
   b) The family member typically provides a range in which the CFO is to sell the stock.
   c) The CFO needs to negotiate the commission with the executing broker.
   d) CFO must determine whether a 144 Sale is required (Amy Browning handles paperwork).
   All stock sales must be cleared by the company legal counsel, contacts are: MIKE, Mark Beasley, (972)[redacted]; SSW, Don McDermett, (214)[redacted]; SE, Al Hoover, (614) [redacted]
   e) The most efficient tax lot must be determined and the stock sold from that lot/certificate.
   f) All stock sales must be cleared with Maverick Capital as relates to Sam Wyly and Evan Wyly
   g) The CFO needs to arrange with the staff to collect the sales proceeds and make arrangements for investment or pay down of credit facility.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

h) The CFO must make sure the appropriate filings are made with the SEC, such as 13D and Form 4. (Amy Browning handles internally with support from Jones Day for the entire family.)

3) The family members are considered "Insiders" for purposes of SEC reporting for MIKE, SSW and SE
   a) All sales will require filing under Rule 144 same day as sale, volume rules must be complied with
   b) Any purchases or sales of the above securities will require updating the 13D ASAP
   c) Any purchases or sales of the above securities will require filing a Form 4 within 10 days after the month end in which sold
   i) Form 5 will need to be filed if any of the above securities as a "Spin Off"
   j) Director and Officer questionnaires will need to be completed as requested by the companies for filings with the SEC
   k) All holdings will need to be confirmed to the company before any filings are made to the SEC,
   Contacts are: MIKE, Mark Beasley, (972)[redacted]; SSW, Don McDermett, (214)[redacted]; SE, Al Hoover, (614)[redacted] make sure there are no 16B problems (6 months rule), make sure there is no inside information that should be disclosed to the public prior to selling
   l) Make sure the appropriate public relations person is notified at the companies so that they will be
   informed when discussing sales/purchases with outside analysts. Sterling Williams likes to be
   personally informed of any sales of SSW or SE.

4) Stock Options
   a) Expiration dates must be monitored and family members reminded
   b) The following are the existing stock options and expirations
   Sam Wyly, SSW @ 14.125, shares – 3,050,000, expires 10/06
   Sam Wyly, SSW @ 13.625, shares – 400,000, expires 03/07
   Sam Wyly, SE @ 25.50, shares – 925,000, expires 10/06
   Sam Wyly, MIKE @ 21.375, shares – 1,125,000, expires 07/00
   Cheryl Wyly, SSW @ 14.125, shares – 150,000, expires 10/06
   Cheryl Wyly, SSW @ 13.625, shares – 75,000, expires 03/07
   Cheryl Wyly, MIKE @ 21.375, shares – 75,000, expires 07/00
   Evan Wyly, SSW @ 14.125, shares – 200,000, expires 10/01
   Evan Wyly, MIKE @ 21.375 shares – 150,000, expires 07/00
   Kelly Elliott, MIKE @ 21.375 shares – 150,000, expires 07/00
   Charles Wyly, SSW @ 14.125, shares – 1,600,000, expires 10/06
   Charles Wyly, SSW @ 13.625, shares – 200,000, expires 03/07
   Charles Wyly, SE @ 25.50, shares – 500,000, expires 10/06
   Charles Wyly, MIKE @ 21.375, shares – 600,000, expires 07/00
   Don Miller, SSW @ 14.125, shares – 100,000, expires 10/06
   Don Miller, MIKE @ 21.375, shares – 200,000, expires 07/00
   Plaquemines, SE @ 24, shares – 2,700,000, expires 02/06
   Lafourche, SE @ 24, shares – 123,333, expires 02/06
   Bessie, MIKE @ 12.50, shares 9000,000, expires 08/00
   Bessie, SE @ 24, shares – 200,000, expires 02/06
   Bessie, MIKE @ 12.50, shares – 140,000, expires 08/00
   Tyler, SE @ 24, shares – 1,450,000, expires 02/06

Tyler, MIKE @ 12.50, shares – 100,000 expires 08/00
Red Mountain, SE @ 24, shares – 61,667, expires 02/06
Castlecreek, MIKE @ 12.50, shares – 350,000, expires 08/00

c) There are selling restrictions related to exercising and selling stock options because the family members are considered insiders. All trades must be cleared with the company as noted above. Make sure there are no 16B problems. Make sure there is no inside information that needs to be disclosed to the public prior to selling.

Systems Design & Administration

The family office has gone thru two system conversions over the last 20 years. The initial system was a manual posting machine, the second system was a mag card posting machine, and the current system is Solomon. Solomon does not fit the needs of the family today. With the increase in entities, the amount of tiered entities and the need to track tax lots, this system is quickly becoming obsolete and cumbersome. My plan was to convert to Total Return. The only weakness I am aware of with Total Return is the Accounts Payable module. Because the family office has intensive AP needs this does present a challenge. I am currently researching thru Sandeep, FOX and Shepro for a solution to this problem. I do not believe that the existing staff can handle a system conversion and believe it should be out-sourced. I am hesitant to start a major system conversion without the new person being on board and agreement with my decision. In the past, system decisions have been left to the CFO with clearance from the family on the expenditure.

Financial Design & Reporting

The family has tiered entities. To get a true picture of Assets, Debts and Equity, financials are consolidated at the entity level. Then an elimination process is gone thru to remove any duplications. This is done at the individual, trust, U.S., Offshore and Global levels. Due to the estate-planning going on currently, this will need to be expanded at the individual level.

U.S. Financial Package:

1) Rena, Amy, Jana maintain general ledgers at the individual level and produce trial balances from the Solomon at month end.
2) Because the accounting system is not a "mark to market, linked" system like Total Return, the partnership trial balances need adjustment on the financial to address a lag in posting at this level. This does create a potential for human error if these items are not addressed correctly off line from the accounting system
3) Financial are prepared on a lotus spreadsheet
4) Amy, Rena post trial balance information to the spreadsheet along with any market pricing changes, Amy enters Charles family information and Rena, Sam's family
5) Amy maintains the holdings and market pricing for SSW, SE and Mike. Amy updates the coupon pricing
6) When Amy and Rena are complete, CFO reviews

Offshore Financial Package:

1) Irish Trust Company (ITC) maintains general ledgers at the corporate and trust level in Total
Return. The system is linked and updates the market values between tiered entities and has been designed to easily consolidate entities. Irish Trust Company, the offshore family office, is run by Michelle Boucher who currently direct reports to the CFO of the domestic family office

1) All data for entities can be retrieved via modem from the banks and brokerage firms for posting, there is no need for accounts payable

2) In addition to these records, the trustees also maintain separate records and these are reconciled with the records of ITC on a quarterly/annual basis.
3) All trustee fees are confirmed by ITC
4) Financials are prepared on a lotus spreadsheet and match the data on the Trial Balances exactly allowing for little potential for human error.
5) Financials are transferred to domestic family office via modem and CFO reviews

Global Financial Package:

1) CFO prepares global financial statements, produces booklet and distributes to family members
2) ITC retrieves offshore file for next month usage

Tax Preparation:

Keith Hennington is responsible for tax return preparation. Amy, Rena and Jana prepare tax folders on an entity basis and provide this to Keith for tax preparation. The folder includes, a summary sheet describing what is contained within the folder. The following data is provided:

1) Trial Balance
2) Estimated Tax Schedules for the year and copies of the checks
3) W-2's
4) 1099's – broker, dividend, interest, miscellaneous and OID
5) K-1's
6) Charitable contributions and copies of the checks
7) 401K information
8) IRS Correspondence
9) Posted Transactions (general ledger)
10) A description of any outstanding issues

Keith and Jennifer will then prepare the return, which will be retained in this folder and filed in the central files. Currently there is a need to prepare approximately 110 federal returns and state returns.

Offshore Procedures:

Trusts

1) Protectors:
   Protectors are Shari Robertson and Mike French
   Protector has the power to change trustees
   Protector can make investment *recommendations* to the trustee
   Protector is the *watchdog* for the settlor and beneficiaries
   Protector or a family member should meet with the trustees twice a year and check the books and records. It is important to keep the trustees honest. Showing up twice a year helps this happen.
2) Trust Deeds:
   Originals held by Trustees
   Copies held by Irish Trust Company
   Situs is Isle of Man
3) Trustees:
   Valmet, gross assets under management for family of $170,160,000
   Trident, gross assets under management for family of $149,948,000
   I FG, gross assets under management for family of $287,856,000
4) Settlors

Settlors are Wyly family members and foreign citizens. At the death of a settlor certain events are triggered. Mike French should provide the family with this information. Mike also maintains copies of the passports and locations of the foreign settlors.

Family Office (Amy / Rena / Jana) time usage

	Amy	Jana	Rena
Payables Preparation	10%	2%	20%
Payables Processing	0%	10%	0%
Cash Reports	10%	10%	18%
Edinburgh Fund	0%	15%	0%
Office Management	0%	15%	0%
Family Art	2%	10%	2%
SEC Compliance	10%	0%	0%
Trial Balances	10%	10%	10%
Financial Reporting	15%	0%	10%
Payroll	0%	3%	0%
Payroll Reporting	3%	3%	0%
Preliminary Tax Prep	20%	15%	20%
Banking Liaison	10%	0%	10%
Real Estate	5%	0%	5%
Insurance	5%	5%	5%

Check writing requirements in 1997

Partnerships	
Tallulah (Sam)	39
Brush Creek (Charles)	55
Lambda (Charles)	736
Acton Partners (Sam)	7
Greek Isles (Sam)	21
S-Total	858
Trusts	
Martha	51
Charles III	20
Emily	63
Jennifer	56
Laurie	45
Lisa	39
Kelly	52
Andrew	19
Christiana	17
S-Total	362
Individuals	
Charles	1,040
Martha	193
Charles III	52
Curator	50
Emily	103
Jennifer	81

Sam		1,206
Evan		112
Laurie		95
Lisa		56
Kelly		157
	S-Total	3,145
	Total	4,365

= Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Monday, December 04, 2000 3:18 PM
To: "Michelle Boucher" <[redacted]>
Subject: Re: names for protector company

When I talked to Charles today he liked using Protector in the name so we can easily identify. Are we trying to supress the activity of the company?? Did Shari let you know what her reservations were? Maybe Highland Management and Stargate Management???? Just let me know

---

"Michelle Boucher" [redacted]
12/04/00 05:27 PM

To: <Shari_Robertson/[redacted]>, <khennington[redacted]>
cc:
Subject: names for protector company

Highland Protector, Ltd and Stargate Protector, Ltd are available.
Keeley - Shari didn't like the inclusion of Protector in the name, I'm iffy on it too - any thoughts - and Shari do you still feel that way?
Any other easily identifiable alternatives???
Thanks!

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher " <mboucher@[redacted]>
12/01/2000 09:10 AM

To: Shari Robertso[redacted]
cc:
Subject: Re: protector company names

That is a lovely story Shari, thanks for sharing it with me.
----- Original Message -----
From: Shari_Robertson/[redacted]
To: Michelle Boucher
Sent: Friday, December 01, 2000 9:38 AM
Subject: Re: protector company names

I'm not sure I like putting the work Protector in the company name - what do you think? Didn't Sam come up with some unique name for the Colorado property? Maybe you could use that.

I talked with Lee yesterday and he seems to be content with piggybacking off a protector company for my trust. I'm thinking that the Star Trust could be called Heritage Trust and the protector company Heritage, Ltd This quite possibly may not be available. Let me know when you get a chance. John and I would be enforcers. You and Michelle would be directors of the protector company, if you're willing. I'm trying to figure out what I might give to Lee that would give him comfort that he could change his protector company or form his own at a later date. Do you have any suggestions?

I'm sure you really need this information. I'm thinking about my dad and missing him. I thought I'd share with you why I named the trust Chisholm Trust. My dad was born and grew him in what was called "The Old House" in Walnut, Kansas. It was on the Chisholm Trail and all the cattle drives came by his house. The house was huge. It was three stories tall and was used as an inn on the trail. The unfortunate thing was that the house was not preserved as it was a landmark and it is falling down.

"Michelle

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Boucher"
Robertson, [redacted]
<mboucher@[redacted]
swyly[redacted], cwyly@[redacted]

names

12/01/00
09:53 AM

To: khennington@[redacted], Shari
evan wyly, donmiller@[redacted],

cc:
Subject: protector company

Stargate, Ltd. or Stargate Company, Ltd. are available for use as the name of the CW family protector company.

Unfortunately Highland, Ltd or Highland Company, Ltd are not available.

Should we try Stargate Protector, Ltd. and Highland Protector, Ltd. as an alternative? Or should we try some names with something other than Highland for the SW family company?

Michelle

- att1.htm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Evan Wyly
12/05/2000 01:48 PM

To: "Michelle Boucher" <mboucher@[redacted]
cc:
Subject: Re: protector company names

Have you heard from Sam yet on this? If not, I'll talk to him about it
Were there a list of names proposed for sub-funds or sub-trusts? or is it up to the individuals?

"Michelle Boucher" <mboucher@[redacted]

"Michelle Boucher "
<mboucher@[redacted]
12/01/00 09:53 AM

To: khennington@[redacted], Shari Robertson[redacted]
evan wyly, donmiller@[redacted] swyly@[redacted]
cwyly@[redacted]
cc:
Subject: protector company names

Stargate, Ltd. or Stargate Company, Ltd. are available for use as the name of the CW family protector company.

Unfortunately Highland, Ltd or Highland Company, Ltd are not available.

Should we try Stargate Protector, Ltd. and Highland Protector, Ltd. as an alternative? Or should we try some names with something other than Highland for the SW family company?

Michelle

- att1.htm

Confidential
SEC_ED00047822

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 537

PSI_ED00047822

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher" <mboucher@[redacted]>
12/05/2000 03:03 PM

To: evan wyly
cc:
Subject: Re: protector company names

Sam's happy with Highland Protector, Ltd., and Charles likes Stargate Protector, Ltd. so that is what we are going ahead with.

The names Sam proposed were for the sub-funds, but I need to go back to him to confirm he still likes them :) I also got the impression from him that he will let the family members approve his selections on this. No names have been discussed for your sub-trust, so I suggest you go ahead and pick one!

Michelle

----- Original Message -----
From: evan_wyly[redacted]
To: Michelle Boucher
Sent: Tuesday, December 05, 2000 3:48 PM
Subject: Re: protector company names

Have you heard from Sam yet on this? If not, I'll talk to him about it. Were there a list of names proposed for sub-funds or sub-trusts? or is it up to the individuals?

"Michelle Boucher" <mboucher@[redacted]>
12/01/00 09:53 AM

To: khennington@[redacted], Shari Robertson[redacted], donmiller@[redacted], cwyly[redacted]
cc:
Subject: protector company names

evan wyly,

swyly[redacted]

Stargate, Ltd. or Stargate Company, Ltd. are available for use as the name of the CW family protector company.

Unfortunately Highland, Ltd or Highland Company, Ltd are not available.

Should we try Stargate Protector, Ltd. and Highland Protector, Ltd. as an alternative? Or should we try some names with something other than Highland for the SW family company?

Michelle

- att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 537

of a transferee, assignee or purchaser as a substitute Member shall be effective as of the last day of the month in which the Member give such transferee, assignee or purchaser written notice of its admission to the Company, and shall be subject to all the terms and conditions of the Regulations, including this Article VIII.

Section 8.5. Admission of New Member. The Member may admit additional persons and/or entities to the Company as a new Member on such terms and conditions as the Member may designate. Any new Member under this Section 8.5. shall, however, be subject to all the terms and conditions of the Regulations, including this Article VIII.

ARTICLE IX.

DISSOLUTION AND TERMINATION

Section 9.1. Causes for Dissolution. The Company shall be dissolved and terminated on the expiration of its term unless it is earlier dissolved and terminated upon the happening of any of the following events: (i) the determination of the Member that the Company should be dissolved; (ii) the adjudication of bankruptcy of the Company or an assignment by the Company for the benefit of creditors; (iii) any event which makes it unlawful for the Company to carry on its business or for the Member to carry on the Company; or (iv) upon the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event which terminates the continued membership of a Member, unless there is at least one remaining Member and the business of the Company is continued by the unanimous consent of all remaining Member.

Section 9.2. Liquidation of Company. In the absence of a revocation of the dissolution of the Company by the written consent of the remaining Member, the Company shall engage in no further business other than that necessary to wind up its affairs and distribute its assets. Liquidation and the filing of an Articles of Dissolution as required by the Texas Limited Liability Company Act shall be handled by the Managers as Liquidating Trustees.

Section 9.3. Disposition of Assets. Upon the dissolution of the Company, the Liquidating Trustee shall liquidate the Company and dispose of the Company assets in accordance with the following provisions:

(a) Payment of Debts: The Liquidating Trustees shall pay all Company debts, including debts owed to Member other than with respect to distributions, or otherwise make adequate provisions for their disposition, except for non-recourse indebtedness which exceeds the fair market value of the property securing the non-recourse indebtedness, in which event the Liquidating Trustees may surrender the property securing the non-recourse indebtedness to the secured party in lieu of paying the indebtedness.

(b) Determination of Company Assets: The Liquidating Trustee shall determine the interest of the Company in each of the remaining Company properties.

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

AGENDA
MEETING WITH TRUSTEES

IFG
12Noon Wednesday May 15, 2002

- David Harris
- Kathy Harding
- Anna Benbatoul

IFG		
1.0	Investment Update • YTD & MTD Returns for Maverick, Levered, & Ranger • Discuss Ranger Partners & Ranger Capital activity including Newcastle & Light Green Advisors • Greenmountain, Michaels, CA, SCT • Other investments (Brazos, Red River, Precept, K12)	

2.0	Real Estate
	• Construction update
	  • 2 Mile Ranch
	  • Cottonwood I & II
	  • Mi Casa
	• Anticipated cash requirements
	• walk through payment and accounting procedures, including domestic reports and tie outs to foreign system	

3.0	Cayman LLC's • discuss minutes • security capital loan documentation • walk through accounting procedures, esp. TMR tie outs and rebalancing • repayment of intercompany advances • segregation of Bessie Trust initial funding from intercompany to loan portfolio items • discuss generally the loan structure & interest	
4.0	Greenmountain stock transfers to LLC's	
5.0	Scottish Annuity & Life Holdings – warrant registration	
6.0	Intelecon Update	

Updated: May 3, 2002

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

7.0	Global Audio Update (in liquidation)	
8.0	Irish Holdings Share Transfer	
9.0	Scottish Holdings liquidation	
10.0	Security Capital $15M loan from Jan 2002	
11.0	Other investment opportunities?	
12.0	Hot Issue Eligibility – Ranger & Levered	
13.0	Audubon – Curator agreement & collectibles, art & jewelry update	
14.0	Cash management • - upcoming requirements review	
15.0	Private annuity payments commencing 2004 • repayment options • cash flow	
16.0	Plans for trust entity accounting	
17.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
18.0	IOM Audit Update • PWC company review/verification procedures • Plan for 2001 reports	
19.0	Protector Company – status update	
20.0	Irish Trust staff update	
21.0	Ebankline at Bank of Bermuda	
22.0	Ginger Trust letter of wishes received?	
23.0	Lynchburg protector resignation obtained?	
24.0	General IOM update – what's new?	

Updated: May 3, 2002

Star Trust Summary:

Trustee: Initial trustee – Queensgate Bank and Trust

Trust Purpose: incorporate and operate the Protector Company

Trustee Powers: Trustee also has broad powers to manage any other assets in the trust

Enforcer Committee:

Charles J. Wyly, Jr – Chairman
Martha Wyly Miller
Emily Wyly Lindsey (not sure if she is changing her name)
Jennifer Wyly Lincoln

All members must be lineal descendants of CJW
Each member may designate a successor member over 25 years of age
If no designation, the oldest of their descendant over age 25 – or when attain age 25
Chairman may remove any member with or without cause
At CJW death, no original member can be removed unless for cause or by unanimous vote of other members
At CJW death, any non-original member can be removed with 2/3 vote
Successor Chairman appointed by majority vote of others

Powers of Enforcer:

Appoint any successor trustee as long as it is not a US citizen or resident
Resolve any disputes between trustees if there are more than one
Members are entitled to remuneration, but not required

To Do's/ Issues:

Drafts of Protector Company Documents:
- Directors should be elected annually by Trustees (don't think Enforcer can make this election)
- Should outline powers of the Directors
- Procedures for appointing and removing Directors
- Initial – M.Boucher, K.Hennington, and Dennis Hunter (?)
- Any way to give enforcers more power other than to remove the trustee

Transition documents:
- Resignation documents for individual protectors
- Appointment of Protector company (different procedure based on which trust)
- Indemnity agreements to exiting protectors – who executes this? Protector company – do trustees join in?

Protector Company:
- D & O Insurance
- Compensation of Directors
- Indemnity of Directors – if possible
- Annual Meetings

Other issues/questions:
- How does the funding take place to start the trust/protector company
- Does Protector Company charge fee to cover expenses or does funding come from trust?
- Are there any issues raised by trustees to make this change

MEMORANDUM

To: **Michelle Boucher**

cc: **Sam Wyly**
Shari Robertson

From: **Charles Wyly**

Date: **March 10, 2000**

Re: **SSW Options**

Sam and I recommend to our protectors that all the Sterling Software options be converted to CA options.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Sorry, I have two more questions.....

- Charles' fax also had some notes indicating that we are to sell domestic first and he has an order of:
Evan, Kelly, Cheryl, Sam, Charles. There was a note that Donnie was finished selling domestically. Please confirm if this is how we should proceed?
- I also just spoke with Lehmans, and they can rebook the 10,000 Michaels that we did today for another account (in the domestic system) if we want. I need to let them know in the morning.

Evan & Shari - the fax I'm referring to was copied to you too.

Thanks
Michelle

-----Original Message-----
From: Michelle Boucher <mboucher@[redacted]
To: evan_wyly@[redacted] <evan_wyly@[redacted]>; sam_wyly@[redacted]
<sam_wyly@[redacted]>
Cc: shari_robertson@[redacted] <shari_robertson@[redacted]
Date: Wednesday, April 26, 2000 7:52 PM
Subject: Michaels Stores

I received a fax from Charles tonight indicating that Sam has canceled his request to exercise and sell the offshore options at $40 or better - please confirm.

As per the email I forwarded earlier, Lehmans did get 10,000 shares sold today - I assume we will keep this trade for Dortmund and Yurta Faf's account, just hold off on any further shares, until further notice??

Please let me know asap, so I can amend the recommendation with the Trustees as early as possible.

Thanks,
Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Evan Wyly
04/26/2000 08:34 AM
To: Sam_Wyly@[redacted]
cc:
Subject: Re: Michaels Shares

More info:
----- Forwarded by Evan Wyly/Maverick on 04/26/00 10:30 AM -----

"Michelle Boucher "
<mboucher@[redacted]>
04/26/00 09:25 AM
To: evan wyly
cc:
Subject: Re: Michaels Shares

I did confirm with the trustees this morning, and they are proceeding on the offshore options, selling at $40 or better.

Offshore we have the following:
Yurta Faf
292,800 options with August expiration
Dortmund
57,200 options with August expiration

There are a lot of options held domestically with July expiration. These are the quantities based on February financials, I don't think there has been any changes, but will check with Elaine if you so need this info. I had spoken with Elaine earlier, and I understand that she has asked if you want to exercise and sell any domestic options, but has not heard back from you. Apparently Charles is currently working on some of his domestic options, but not offshore.

July 2000 expiration:

SW	1,125,000
Cheryl	75,000
Kelly	150,000
Marmalade	150,000

Michelle

-----Original Message-----
From: evan_wyly[redacted] <evan_wyly@[redacted]
To: Michelle Boucher <mboucher[redacted]
Date: Wednesday, April 26, 2000 11:13 AM
Subject: Re: Michaels Shares
>
>What amounts remain to be sold?
>
>>Sam recommends that the trustees exercise and sell the remainder of the
>>Michaels options that expire this summer. Sell at $40 or better.
>>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Evan Wyly
Sent: Friday, September 15, 2000 1:52 PM
To: Michelle Boucher <mboucher@[redacted]
Subject: Re: Fw: michaels sales offshore
Attach: attl htm

OK

"Michelle Boucher" <mboucher@[redacted]
09/15/00 12:39 PM

To: evan wyly
cc: Shari Robertson/[redacted]
Subject: Fw: michaels sales offshore

Copy fyi - I forgot to copy you initially.
Michelle
----- Original Message -----
From: Michelle Boucher
To: Shari_Robertson[redacted]
Sent: Friday, September 15, 2000 12:11 PM
Subject: michaels sales offshore

I spoke to Sam today, he wants us to proceed with selling 200,000 Michaels Stores shares from offshore to aid in raising funds for Ranger/Precept projects.

I would like to recommend selling 175,000 held by East Carroll, and 25,000 of the shares held by East Baton Rouge

I confirmed with him that there is nothing going on with the company that should preclude us from being in the market at this time. He wants Lou to slowly acquire without impacting the market.

Please confirm you are comfortable with me going forward to the Trustees.
Michelle

- attl.htm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, February 28, 2001 7:55 AM
To: MBoucher@[redacted]
Subject: FYI-disregard first e-mail

Don't know what I did - but finished below

----- Forwarded by Keeley Hennington/htst on 02/28/01 09:55 AM -----

Keeley Hennington
02/28/01 09:52 AM

To: MBoucher@[redacted]
cc:
Subject: FYI

I was talking to Charles yesterday and he was kind of thinking out loud on some stuff. He was talking about use of off-shore cash and was using the following for planning - thought I would pass it along even though he was just thinking.

First Dallas - $10.5 future committments (Brazos, FDV, ?)
955 Little Woody - $10.2 (Charles and Dee home in Aspen)
Little Woody - $4.5 (next week deal)
Sport Horses -$3.0 (capital improvements)
Jennifer and Jim - $4.0 (new house)
Charity - ???

He mentioned that he plans to make a pledge some time this summer of about $10M payable $2/yr. for 5 years that could possibly be funded off-shore. He was saying that these things would use about half of his current available cash off-shore. He also talked about the Lambda properties being sold off-shore and I told him I would look into this and what the tax implications are - this one is messy.

---

fw/dt-03/8157-002m

IRISH TRUST GROUP

MEETING WITH TRUST PROTECTORS & FAMILY MEMBERS

ON

TUESDAY 27 MARCH 2001 AT 11:00 AM

TOPICS FOR DISCUSSION:

1. STATUS of PROTECTOR COMPANY formation

   Following Resignation of MF & Appointment of MB.

2. IDENTIFICATION of SPECIFIC COMPANIES with BENEFICIARIES and NEW LETTERS of WISHES - Possible Loan Arrangements via Special Purpose Vehicle administered at Queensgate to facilitate back to back transactions. SUB-FUNDS (TYLER TRUST)

3. 31 DECEMBER 2000 Accounts & Independent Review (KPMG).

4. ART/COLLECTIBLES ISSUES (SOULIEANA LIMITED)

   a) "Possession Agreement" format;

   b) Completion of Schedules;

   c) Insurance policy endorsement/additional premium required for recent increase in cover.

5. CW FAMILY REAL ESTATE PROJECTS

   a) Little Woody Creek Road Ltd - Activated;

   b) Lambda A Ltd/Lambda B Ltd - still required?

   c) Stargate Farms Ltd - Activated.

(Cont/d...

6. PRECEPT FUND/RANGER FUND Investments (Devotion Ltd).

   Final transaction/shareholding details awaited following reorganisation.

7. REVIEW of INVESTMENTS HELD in ASSOCIATED Cos:-

   a) TYLER TRUST to sell shareholding in IRISH HOLDINGS LTD to SOULIEANA LTD.

   b) TYLER TRUST has sold shareholding of SCOTTISH ANNUITY & LIFE HOLDINGS LTD ("SA") to SOULIEANA & Lehmans are liquidating this holding.

   c) SOULIEANA LTD holds SCOTTISH HOLDINGS LTD Class "C" Shares.

   d) SOULIEANA LTD holds Ordinary Shares in SA.

   e) TYLER TRUST & SOULIEANA LTD hold Class "A" Warrants re. Ordinary Shares in SA.

8. Variable Life Split Dollar Policies.

9. Possible revision of custody arrangements for key trust documentation.

FW

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher" <mboucher@[redacted]>

To: <evan_wyly@[redacted]>, <swyly@[redacted]>
cc:
Subject: SCOT shares - tradeable stock

05/23/01 03:26 PM

On Friday May 18th, Lehmans confirmed a closing price on SCOT of $15.13 and booked the sale of 270,000 shares between IFG and Trident entities. The trustees at Trident are now able to sell these shares in the market.

The stock has been selling between $14.75 and $15.75 for the past two weeks. The protectors are prepared to recommend that the trustees use Lou Schaufele to move the stock out in the market, at his discretion but at no less than $15 per share. The trustees will also ask Lou to keep an eye out for any opportunities for large block trades. The protector recommendation will go out overnight and trading should commence tomorrow

I'll keep you updated on trading volume and pricing.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, July 13, 2000 3:52 PM
To: Evan Wyly
Cc: mboucher@[redacted]
Subject: Cottonwood property

Evan -

I just wanted to make you aware of the project I am working on with Kelly with regard to the Paragon building in Aspen. We have been negoitating over the past few months and are now getting close to agreeing on terms and I wanted to make sure you and Sam were aware of where we are heading. I thought if you get a chance you might mention to Sam tomorrow.

The purchase price is $7,775,000. We are buying first floor retail space (to be used as the gallery) and the second floor of the building. In the short term, half of the second floor will be built out for personal office space for family. The other half will be left alone and could be sold, rented or built out in the future.

We are using a structure very similar to the Two Mile Ranch structure. New grantor trusts will be formed owned by a new foreign corporation and the individuals who will be using the property (1%) each. Of the total cost, 98% will be funded from offshore. The managment trust will contribute the money to a new Colorado LLC which will purchase the property.

The seller still has substantial repairs to the property some of which he is doing now and some which will be done later. For those that will be done later, funds equal to 150% of the estimated cost will be set aside at closing under our escrow agreement.

This property is unusual because it is zoned as a codominimum. Since this is the case, we have to become part of a condo association. We are in the process of doing these documents now. Kelly has agreed to allow the seller to control the association. However, we will have approval of design of the common areas and no repairs/improvements over $25,000 can be made by the condo association without our approval.

I have made Kelly aware of what I feel the risks are with this property, mainly that the seller could take advantage of his control of the association to make excessive or unnecessary repairs. It is very hard since I am not there to talk with the seller, etc. to know if these concerns are valid.
Kelly did say that she trusts the seller and the contractor doing the work and she was willing to let the seller control in order to close the deal.

Currently the purchase is set to close on August 15th and we are working on setting all the necessary legal entities. I know Kelly and Kristin are there watching over construstion, etc. and I do not want to step on any toes. I just wanted to make sure everyone knew this was going on. Hope that's okay.
Please call me if you have any questions.

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

TO: Mary Cox - pls distribute to Donnie Miller & Charles Wyly

CC: Keeley Hennington

From: Michelle Boucher

FAX: 1-214-[Redacted by the Permanent Subcommittee on Investigations]
1-214-[Redacted by the Permanent Subcommittee on Investigations]

Fax: 345-[Redacted by the Permanent Subcommittee on Investigations]
Tel: 345-[Redacted by the Permanent Subcommittee on Investigations]

DATE: January 31, 2002

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

Further to my email last night, the protectors plan to recommend a total contribution of $3Million to First Dallas International for the February 1, 2002 subscription date.

I have attached a summary of cash flow since inception, and details of the short term cash requirement that I am aware of.

- The IOM trusts have contributed a total of $29.2 Million to date, of which $24.2Million was cash and $5M was investments.
- The cash contribution has been invested as follows: $4Million into direct investments, $1.7Million to the Lehman Managed account and $18 Million into First Dallas Ventures (12/31/01 balances plus January contributions of $436K).

Based on outstanding commitments to Brazos, Trans-Europe Partners and Winston Thayer Capital Partners, as well as commitments to fund Elagent's operations through April 2002, I have estimated that the protectors should recommend an additional investment of $3Million dollars into First Dallas International.

A recommendation to invest $1Million was given to the trustees last night, in order to meet Elagent commitments for tomorrow, I suggest that the protectors also request the additional $2Million as a Feb 1st subscription to provide for projected cash requirements through April 2002.

Summary of FDI cash flows since inception

Total Contributions to date to First Dallas International			
Investments contributed			
Libra Fund	3,967,742		
Deerfield	728,561		
Winston Thayer	308,418		
Cash contributed	24,250,000		
Total contributions to FDI thru 12/31/01	29,254,721		
Total investments made			
Direct investments	**Cost**	**Mkt Value**	
Libra	3,967,742	5,823,204	
K-12 Series B preferred	1,667,000	carried at cost	
Fresh Direct	1,000,000	carried at cost	
Deerfield	728,561	1,398,188	
Winston Thayer	700,464	carried at cost	
Brazos	461,762	carried at cost	
Trans Europe Buyout Prs	500,000	carried at cost	
Total direct investments	9,025,529		
Lehmans managed account	1,753,218		
Investments via First Dallas Ventures			
E2	750,000	carried at cost	
Cool Partners	2,102,000	carried at cost	
RLX Technologies	2,750,000	carried at cost	
4G Network	1,500,000	carried at cost	
Elagent Corp	8,887,225	carried at cost	
Transfinity	1,100,000	carried at cost	
other	458,775	carried at cost	
Total investments via FDV	17,548,000		
Total investments thru 12/31/01	28,326,746		
Other Income & Expenses			
Management fees paid to First Dallas Ltd	(843,504)		
Other Expenses	(47,217)		
Interest, dividends, realized gains	652,779		
Total net other income & expenses thru 12/31/01	(237,942)		
Net cash flow = cash on hand 12/31/01	**690,833**		
1/17/02 to FDV re: Elagent	(286,000)		
1/24/02 to FDV re: Elagent	(150,000)		
Balance on hand 1/30/02	**254,833**		
Cash to be raised from IOM			
1/31/02 Elagent Funding	594,000		
2/28/02 Elagent Funding	499,000		
3/31/02 Elagent Funding	485,000		
liquidity for fees and commitments (Brazos/WinThay/Trans Europe)	1,500,000		
Estimated cash required	3,078,000		
Recommend requesting IOM trusts to commit an additional $3Million at this time.			

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

cc TO: Mary Cox - pls distribute to Donnie Miller ~~& Charles Wyly~~

cc: CC: [redacted]

From: Michelle Boucher

Fax: 345-

Tel: 345- Redacted by the Permanent Subcommittee on Investigations

FAX: 1-214- Redacted by the Permanent Subcommittee on Investigations

1-214-

DATE: January 31, 2002

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

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- The cash contribution has been invested as follows: $4Million into direct investments, $1.7Million to the Lehman Managed account and $18 Million into First Dallas Ventures (12/31/01 balances plus January contributions of $436K).

yes Based on outstanding commitments to Brazos, Trans-Europe Partners and Winston Thayer Capital Partners, as well as commitments to fund Elagent's operations through April 2002, I have estimated that the protectors should recommend an additional investment of $3Million dollars into First Dallas International.

A recommendation to invest $1Million was given to the trustees last night, in order to meet Elagent commitments for tomorrow, I suggest that the protectors also request the additional $2Million as a Feb 1st subscription to provide for projected cash requirements through April 2002.

to → [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: khennington@[redacted]
Sent: Friday, January 31, 2003 6:21 PM
To: Schaufele, Louis J.
Subject: Re:

Lou - I have been with Charles for the last 1 1/2 hours - I am going home for a glass of wine. Let's touch base first thing Monday and I will fill you in on the structure, etc. Moberly owns the stock of GF1 (100%). Moberly is going to make a paid in capital contribution to the company of cash. This cash will be used by GF1 to purchase the CD.

"Schaufele, Louis J." <louis.j.schaufele@[redacted]> To: "'khennington@[redacted]
<khennington@[redacted]> cc:
Subject:
01/31/03 03:50 PM

What is structure of green funding? Who owns etc..
Lou Schaufele

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, May 21, 2003 9:13 AM
To: mboucher@[redacted]
Subject: Sam project

Attachments: familyperformance33103.xls

Thought I would pass along - this is update I did for Sam yesterday - he is calling about every hour with some new project. Margot helped me pull some of the stuff yesterday and I might need to come back to you next week for 10 year numbers, but he seems happy with 15 year for now. Password is same as financials

He said he is only using this for some 'noodling' he is doing - scary

familyperformance3 3103.xls (37

[redacted] = Redacted by the Permanent Subcommittee on Investigations

To: <kristin[redacted]
Cc: <kelly@[redacted]
Sent: Tuesday, September 02, 2003 4:49 PM
Subject: Ranch budgets

Hi Kristin,

I was speaking with Sam & Evan today, and we would like to get an idea of budget going forward at the Ranch. Could you put something together that addresses the following items:

- Remaining Common Area Development Costs ie. infrastructure, services, landscaping etc...
- Costs to complete individual houses on the property
- re: Jason & Kelly - estimated costs to complete from 7/31/03
- re: Rosemary's house - estimated costs to complet from 7/31/03
- Lisa & John - total anticipated budget
- other buildings or projects being considered
- Estimated costs to manage and operate common area/infrastructure on a going forward basis
- ie. ranch management, services, mtce, taxes etc... on an annual basis
- Estimated costs to operate specific houses on a going forward basis

It would be helpful for the development and construction costs to be segregated timewise into estimates for 6mth, 1yr, 3yr, total projections, and I don't think these need to be nailed down in any exact terms, a ballpark idea of what to expect over the near term and in total would be extremely helpful.

Could you give me an idea of when you think you could pull this together. Thanks! and I hope all is going well.

Michelle

Circle R Ranch Cost Projection

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

Elaine Spang

05/03/99 11:28 AM

To: Kesley Hennington
cc:

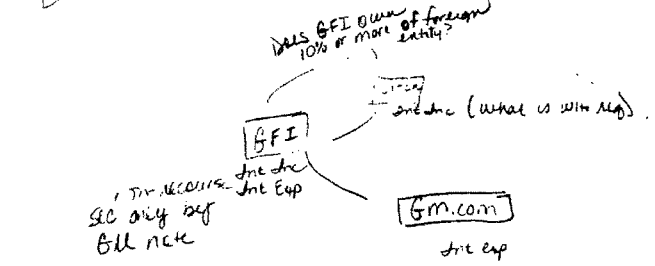
Subject: Green

I just learned that Sam signed a letter authorizing Green Funding I to loan greenmountain.com $22,000,000 under a non-recourse loan. My understanding is that an offshore entity will loan the funds to Green Funding I under a similar non-recourse loan, and GF1 will turn the funds around to gm.com. Per Shari, the funds will be loaned only upon a 30 day advance request from gm.com, because the offshore entity will have to liquidate a portion of its Maverick investment. The first request is for $5,000,000 on June 1. Sam had to sign in order to get AA to sign off on last year's audit.

Are there any tax issues from:

- the structure of the loans
- the possibility that the loan may not be repaid by greenmountain.com to GF1 (Does GM1 then have taxable income from the funds received from the offshore entity? Is the income offset by the bad debt?)
- anything else I haven't thought about

Redacted by the Permanent Subcommittee on Investigations



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

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Jana Frederick

Payroll - Maverick	Base	30,000
% Increase from Prior Yr.		
Payroll - Sterling	Bonus	5,000
Total		35,000

Jana started to work for the family in April 1, 1995. FYI - Jana is presently being interviewed by Jim Jenkins as an assistant in his new job role and as a replacement for Debbie as she takes over Brenda's position. I recommend you consider a salary increase to $33,000. (I am also considering her for the AP position talked about below.)

Michelle Boucher

Payroll - Scottish/Irish	Base	75,000
% Increase from Prior Yr.		
Payroll - Sterling	Bonus	15,000
Total		85,000

Michelle started to work in Scottish Annuity and Irish Trust on May 1, 1995. She was promised a salary review either at 12/31/95 or at one year. We delayed to one year due to her bonus at year end. She is doing a phenomenal job. Sam has asked me "Who is your replacement?" - I think Michelle has the potential for that. Let's keep her happy. I recommend a salary increase to $80,000. I would like Michelle to be included in the Maverick bonus program in the future. We have hired a Caymanian to start in one month at $29,000 per year.

Juanell Lance

Dec review

Payroll - Sterling	Base	31800	35,999	34,285	32,344	26,500	25,000
Michaels - Fee		48 600	46,295	44,090	41,594	38,160	36,000
% Increase from Prior Yr.			5.0%	6.0%	9.0%	6.0%	9.0%
Payroll - Sterling	Bonus					12,000	6,000
Michaels - Bonus (Fee)			25,000	25,000	15,000		6,000
Total			107,294	103,375	88,938	76,660	73,000

Juanell has worked for an Wyly entity since January, 1982. She has worked for the Family Office since October, 1985. She has Sterling and Michaels benefits.

Julia Kauder

Payroll - Sterling	Base	60125	57,261	54,534	51,447	48,535	45,800
% Increase from Prior Yr.			5.0%	6.0%	6.0%	6.0%	
Payroll - Sterling	Bonus		25,000	18,000	12,000	10,000	10,000
Total			82,261	72,534	63,447	58,535	55,800

Julia has a Sterling company car and Sterling benefits.

Maverick is now running very smoothly in the back office. I am spending at least 50% of my time on the Family Office. Until the last few weeks, this has been predominantly offshore with Michelle Boucher. The accounting system in the onshore office is running very sluggish. With Keith's help, I am contemplating a major overall. With your permission, I would like to spend a few dollars with the law firm for a discussion on omnibus check clearing accounts as relates to keeping separate property separate. I did this once and backed off with Sam's

Transmittal

To: Sam Wyly
Evan Wyly

From: Shari Robertson

Phone: (214) [redacted]

Redacted by the Permanent Subcommittee on Investigations

Date: 11/15/96

Fax: (214) [redacted]

Copy to:

Pages (___)

Regarding: 1996 Bonus and 1997 compensation review for family office

I'm addressing the first four people as a group and a total dollar amount. The $75,000 total is in line with last year.

		Bonus:			1997 Compensation	
	Total Bonus:	75,000	60,000	50,000		
Person	Payroll					
Amy	Sterling	25,000	20,000	16,667	67,620	3.00%
Rena	Sterling	25,000	20,000	16,667	60,875	3.00%
Jana	Sterling	15,000	12,000	10,000	35,000	6.06%
Amber	Maverick	10,000	8,000	6,667	36,500	4.29%
Multiple roles:						
Keith	Maverick	82,500 - 130,000			86,750	5.15%

Lee has told me in the past that if the hedge fund has a good year a person should expect to receive their compensation as a bonus. Assuming it holds, Maverick has had a good year. If you were to calculate his bonus in relationship to profits / bonus in 1995 then his bonus would be around $130,000. I suggest between $82,500 and $130,000.

Amanda Irish Trust/Scottish Annuity
I'm passing on Michelle's recommendation which I think is fine. Bonus of $6,000 and compensation increase of 5% from $29,000 to $30,500.

Michelle B Irish Trust/Scottish Annuity
Michelle's bonus should be paid 20% from Scottish Annuity and 80% from Irish Trust with 35% being related to Maverick Fund and 45% the family. I would like to see her receive a bonus between $50,000 to $80,000. I'm considering the good year of Maverick and the offshore family finances. I would like to increase Michelle's compensation to $90,000 an increase of 12.5%. She is worth up to $125,000 if she demanded it. I have discussed this with Mike.

I am not making any suggestions on Juanell, Julia or Amy C. since they do not report to me.

[redacted]

MEMO

WYLY

To:	**Sam, Charles, Evan & Donnie**	From:	**Shari Robertson**
Company:		Phone:	**214** Redacted by the Permanent Subcommittee on Investigations
Phone:		Fax:	**214**
Fax:		Date:	**November 20, 1997**
Number of pages:	**1**	Time:	**10:09 AM**

Re: Compensation and year-end bonus reviews

I am attaching payroll information for the last three years for the family office staff. I have also completed an evaluation by employee and a recommendation for 1998 compensation and a 1997 bonus for those employees reporting to me. Michelle Boucher did the same type evaluation for the employees of Irish Trust and Scottish Annuity.

On a personal note, I would like to thank you for the Michaels Stores options issued to Keith and I earlier this year. Thank you for giving me the opportunity on a no cash out of pocket basis to invest in Michaels along side the Wyly family.

In reviewing my situation with the Wyly family, I would ask that you consider a consulting bonus for 1997 from the Irish Trust Company (see Michelle's profile for the profit details) and on a going forward basis a monthly consulting fee. Sam also mentioned sometime ago that he would consider my trust owning at least 10% of Irish Trust Company. I would like you to re-consider the percentage of ownership and formalize the agreement. Additionally, I would like you to consider Michelle Boucher owning a small piece of Irish Trust Company ... I want to give her every reason to want to stay employed and involved with the Wyly Family for many years in the future.

I also need clarification whether Irish Trust should again this year charge the family trusts a special legal consulting fee to be paid out to Mike French of $300,000 as we did last year. I would also like to point out that Mike didn't take this fee until 1997. The revenue charge to the trusts during 1997 was $670,000 of which $300,000 was a direct bill to the trusts to cover this payment to Mike. The balance was charged on a percentage basis as we discussed last year and appears to be adequate to cash flow the company.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

Michelle Boucher

	Current	Recommend for 1998	%	Dollar Increase
Salary	90,000	125,000	38.89%	35,000
Bonus				

Overall Evaluation:

Michelle has been a godsend to me. I feel very secure in the knowledge that Michelle could run the offshore office without my involvement and the Wyly family would be in good hands. Michelle's organizational skills are excellent. She has learned how to use her time effectively between Irish Trust, Maverick Fund and Scottish Annuity. I felt my choice of Michelle was the right on the day I hired her and I feel better about every day.

Reasons to Support Compensation:

Michelle has requested that we consider adjusting her base salary to the standards of a person with her responsiblity level in the Cayman Islands. She didn't give much guidance from there. She said she was very happy with her overall compensation package ($90,000 base plus $60,000 bonus), she'd just like more of it to be base salary. Mike and I have discussed her compensation and recommend that it be increased to $125,000.

Insh Trust Company will have generated revenues of approximately $1,185,000 at year end. Of this revenue, $515,000 is hedge fund and $670,000 is trust. Additionally cash on hand will have earned $15,000. Total income for the year should be approximately $1,200,000. Expenses year to date are $460,000 and we anticipate expenses thru year end to bring that number to $515,000. Pre-bonus I anticipate Irish Trust will make $685,000 reduced by $11,000 in bonuses to the staff leaves profits of $674,000.

Michelle is also actively involved in Scottish Annuity. I will let Mike talk to you regarding the profits in Scottish Annuity for the year that Michelle has been involved in producing.

I recommend that Michelle receive a bonus of $75,000. Irish Trust would pick up $50,000 and Scottish Annuity the other $25,000.

Statement of Financial Condition
(Stated in United States Dollars)
(Unaudited)
October 31, 1997

	Irish Trust Company
Assets	
Cash and cash equivalents	777,807
Administration fees receivable	68,547
Other Assets	40,441
Total Assets	886,795
Liabilities and Shareholders' Equity	
Liabilities	
Accounts payable	11,900
Accrued expenses	6,250
Total liabilities	18,150
Shareholders' Equity	
Share Capital	2
Contributed Surplus	50,498
Prior year retained earnings	193,827
Current year income	624,318
Total shareholders' equity	868,645
Total liabilities and shareholders' equity	886,795

Statement of Income
(Stated in United States Dollars)
(Unaudited)
For the period ended October 31, 1997

	Irish Trust Company
Administration Fee Income	
Hedge Funds	402,730
Trusts	669,527
Total administration fee income	1,072,257
Investment Income	
Interest	13,333
Total Income	1,085,590
Expenses	
Salaries and benefits	64,549
Software	6,550
Travel	42,541
Rent	10,417
Accounting and audit	5,283
Directors fees	2,500
Administrative/gov't related	4,638
Legal	302,778
Other Expenses	22,017
Total Expenses	461,273
Net Income	624,318

CONFIDENTIAL

MEMO WYLY

To: **Sam, Charles, Evan & Donnie**

Company:

Phone:

Fax:

Number of pages: **1**

From: **Shari**

Phone: **214** Redacted by the Permanent Subcommittee on Investigations

Fax: **214**

Date: **November 20, 1998**

Time: **1:30 PM**

Re: Compensation and year-end bonus reviews

I am attaching payroll information for the last five years for the family office staff. I have made recommendations for 1999 compensation and a 1998 bonus for those employees reporting to me. I have asked Keith to provide a recommendation on Jennifer, but I haven't caught up with him. Michelle Boucher has not had a chance to send me recommendations for the offshore employees. I will provide that information to you as soon as Keith and Michelle send it to me. There are a number of new employees that I was not involved in the hiring and do not know the start date or salary. Let me know if you would like me to get this information from Pam Isbell.

Let me know if Mike French is owed a consulting fee from Irish Trust this year.

On a personal note, I would like to thank you for the Scottish Annuity and Life options that I have heard are coming my way. I want to thank you on behalf of myself and the staff for your generosity to everyone over the years.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, October 13, 1999 7:16 AM
To: Michelle Boucher <mboucher@[redacted]
Cc: Shari Robertson
Subject: Re: CW real estate

We have now decided to have the liabilities assumed as part of the transaction which means total cash that needs to be available is around around $12.5M. I am not sure we are going to be ready to go with all of them by Nov. 1, so I would think the $10M would be sufficient to handle what we need before Dec. 1.

Shari- Do you think we should sit down with Charles again and make sure he wants to go forward with everything (you may have already had this discussion with him). He wants to increase the sales price 6% on the Aspen properties based on some information from an appraiser that prices are going up about 1% per month, which accounts for the other $1M. Let me know your thoughts.

Michelle Boucher <mboucher[redacted] on 10/12/99 07:05:51 PM

To: khennington
cc:

Subject: CW real estate

As part of the recent SSW/SE transaction I had provided for $10M to be used to acquire these properties (based on what Shari initially thought would be about the size). I will need to raise the additional $15M via redemptions from Maverick (which we were planning on doing for the SSW/SE transactions and changed our minds - so it is not unexpected). But technically we need to give 30 days notice to do this so I'm looking at having $10M avail right now and $15M available at Dec 1st. I can request that Lee agrees to waive notice and see if we can get out for November 1st if you think we need to do the transaction sooner than in 6 weeks time. I've given Shari a heads up that we may want to do this, but let me know how you feel about the timing.

Thanks!
Michelle

Confidential
SEC_ED00000267

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 538

PSI_ED00000267

From: Evan Wyly
Sent: Friday, November 3, 2000 8:59 AM
To: mboucher@[redacted]
Subject: Re: intelecon
Attach: att1.htm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

FYI, probably both of us need to be more careful with our wording, since I'm not in control or approving; I'm just making recommendations.
----- Forwarded by Evan Wyly/Maverick on 11/03/00 07:45 AM -----

Shari Robertson
11/03/00 12:00 AM

To: Evan Wyly[redacted]
cc:
Subject: Re: intelecon

Remember that it is critical from a U.S. tax standpoint that there is no appearance that the Wyly's are in control of the trusts or the protectors. You tried to word carefully, but I would recommend that you "inform" of the intended recommendation and suggest they inform you if there are aware of any different issues to be considered. In effect Evan approved this txn, you don't want that.

Evan Wyly
11/02/00 11:02 AM

To: "Michelle Boucher" <mboucher@[redacted]
cc: Shari Robertson/Maverick@[redacted] Sam Wyly[redacted]
Subject: Re: intelecon

OK to proceed as described. Thanks.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher" <mboucher@[redacted]>
11/02/00 11:05 AM

To: evan wyly
cc: Shari Robertson/Maverick@[redacted]
Subject: intelecon

George Ellis & I finally caught up today, he is arranging for the subordination agreement to be redrafted to be more clear that the subordination extends only to cover the $250,000. That was the original intent, and he'll see that it is made more clear.

George feels that the subordination is something we really need to agree to, that Barco (the projector supplier) is their largest creditor (outside of Greenbriar) and to keep the relationships between Barco and Intelecon and Greenbriar and Intelecon working in a productive fashion, we should sign it.

George has discussed this with Steve Turoff and indicate Steve is comfortable with the proposal.

Please confirm that you have no objections to the protectors recommending that the trustees execute the subordination agreement.
- att1.htm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, October 03, 2001 1:01 PM
To: mboucher@[redacted]
Subject: Urgent - Charles

This was Quayle Ltd.

----- Forwarded by Keeley Hennington/htst on 10/03/01 02:07 PM -----

Keeley Hennington
10/03/01 01:59 PM

To: mboucher[redacted]
cc:
Subject: Urgent - Charles

Hey, Charles called and wanted to sell 100,000 shares of MIKE at $42.00 or better today and asked me to call Lehman. They were okay with my verbal and just need you to follow up and get some instruction from the trustees also.
They were selling today on my authorization. I really hope that is okay.

If you get a chance to call me later on all this other MIKE shit, feel free tonight at 972-503-0565

Thanks

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, October 04, 2001 5:05 AM
To: "Michelle Boucher" <mboucher@[redacted]
Subject: Re: Fw: Quayle

yep call me when you get in. I am so sorry about calling over there, I just did not know what problems it would cause. Talk to you later

---

"Michelle Boucher" <mboucher[redacted]
10/03/01 07:39 PM

To: <khennington[redacted]>
cc:
Subject: Fw: Quayle

I think you know this already.
-----Original Message-----
From: Schaufele, Louis J <lschaufe[redacted]
To: 'michelle boucher' <mboucher[redacted]
Date: Wednesday, October 03, 2001 4:19 PM
Subject: Quayle

>We sold 82,500 Michael Stores today for Quayle.
>
>> ----------
>> ----
>
>> ------
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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 541

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April 12, 1996

Memo to: Sam Wyly, Charles Wyly
From: Shari Robertson
Re: Salary reviews

Will you please consider salary increases effective May 1 for those persons involved in the Family Office. Sam has suggested that it would be better to review Maverick and the Family Office employees at the same time. Per our discussion, a review would be done now and again in December.

Amy Phillips

		65,650	1995	1994	1993	1992	1991
Payroll - Sterling	Base		62,529	59,551	56,180	53,000	50,000
% Increase from Prior Yr.			5.0%	6.0%	6.0%	6.0%	9.3%
Payroll - Sterling	Bonus		25,000	20,000	15,000	12,000	12,000
Total			87,529	79,551	71,180	65,000	62,000

Dec review

Amy has worked for a Wyly entity since March, 1981. She has Sterling benefits.

Rena Alexander

		59,100	1995	1994	1993	1992	1991
Payroll - Sterling	Base		56,276	53,596	50,562	47,700	45,000
% Increase from Prior Yr.			5.0%	6.0%	6.0%	6.0%	21.3%
Payroll - Sterling	Bonus		25,000	20,000	15,000	12,000	12,000
Total			81,276	73,596	65,562	59,700	57,000

Dec review

Rena has worked for the Wyly Family since May, 1983. She has Sterling benefits.

Shari Robertson

		1995	1994	1993	1992	1991
Payroll - Sterling	Base	124,000	124,000	116,717	107,080	100,000
Payroll - Maverick		60,000	35,000	24,000		
Fee - Cafes		0	0	18,000	12,000	12,000
Fee - RPC		0	0		6,000	6,000
% Increase from Prior Yr.		15.7%	0.2%	26.9%	6.0%	0.0%
Payroll - Sterling	Bonus	0	50,000	30,000	24,000	20,000
Deferred Comp-Maverick		100,000	0	100,000		
Total		284,000	209,000	288,717	149,080	138,000

Dec review

I have worked for the Wyly Family since April, 1979. I have a Sterling company car and Sterling benefits. I had a pay increase in Maverick on January 1, 1996.

Keith Hennington

		1995	1994	1993
Payroll - Maverick	Base	77,040	72,000	72,000
% Increase from Prior Yr.		7.0%	0.0%	
Payroll - Sterling	Bonus	25,000	20,000	
Total		102,040	92,000	72,000

Keith started to work for the family in October, 1993. Keith has done an outstanding job this year with Maverick and the family returns. I plan to utilize Keith the rest of the year with plans I have for the Dallas Family Office. I recommend you consider a salary increase to $82,500.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 542

SR 0001018

Jana Frederick

Payroll - Maverick	Base	30,000
% Increase from Prior Yr.		
Payroll - Sterling	Bonus	5,000
Total		35,000

Jana started to work for the family in April 1, 1995. FYI - Jana is presently being interviewed by Jim Jenkins as an assistant in his new job role and as a replacement for Debbie as she takes over Brenda's position. I recommend you consider a salary increase to $33,000. (I am also considering her for the AP position talked about below.)

Michelle Boucher

Payroll - Scottish/Irish	Base	75,000
% Increase from Prior Yr.		
Payroll - Sterling	Bonus	15,000
Total		85,000

Michelle started to work in Scottish Annuity and Irish Trust on May 1, 1995. She was promised a salary review either at 12/31/95 or at one year. We delayed to one year due to her bonus at year end. She is doing a phenomenal job. Sam has asked me "Who is your replacement?" - I think Michelle has the potential for that. Let's keep her happy. I recommend a salary increase to $80,000. I would like Michelle to be included in the Maverick bonus program in the future. We have hired a Caymanian to start in one month at $29,000 per year.

Juanell Lance

Dec review

Payroll - Sterling	Base	31800	35,999	34,285	32,344	26,500	25,000
Michaels - Fee		4860	46,295	44,090	41,594	38,160	36,000
% Increase from Prior Yr.			5.0%	6.0%	9.0%	6.0%	9.0%
Payroll - Sterling	Bonus					12,000	6,000
Michaels - Bonus (Fee)			25,000	25,000	15,000		6,000
Total			107,294	103,375	88,938	76,660	73,000

Juanell has worked for an Wyly entity since January, 1982. She has worked for the Family Office since October, 1985. She has Sterling and Michaels benefits.

Julia Kauder

Payroll - Sterling	Base	60125	57,261	54,534	51,447	48,535	45,800
% Increase from Prior Yr.			5.0%	6.0%	6.0%	6.0%	
Payroll - Sterling	Bonus		25,000	18,000	12,000	10,000	10,000
Total			82,261	72,534	63,447	58,535	55,800

Julia has a Sterling company car and Sterling benefits.

Maverick is now running very smoothly in the back office. I am spending at least 50% of my time on the Family Office. Until the last few weeks, this has been predominantly offshore with Michelle Boucher. The accounting system in the onshore office is running very sluggish. With Keith's help, I am contemplating a major overall. With your permission, I would like to spend a few dollars with the law firm for a discussion on omnibus check clearing accounts as relates to keeping separate property separate. I did this once and backed off with Sam's

divorce (though nothing negative happened.) I think it is the only way to speed up the check writing process. Additionally, this new Windows based Solomon is not working well . It is entirely to slow and cumbersome. I'm not sure whether Total Return is the answer, I'm still trying to determine whether I can make the AP module work, or whether a new system is needed. I'll be back to you for approval if a new system is warranted. Per my discussion yesterday with Charles, I'm going to hire an accounts payable clerk. This person will be utilized to bring all of his bill paying into the family office (Sam's is now) and to lighten the AP entry for Amy and Rena.

I do plan to invest a lot of my time the rest of the year on the Dallas Family Office. If this does not work with anything you might have planned for me, let me know. I will still be spending around 50% of my time on Maverick.

Stock Status Report Priced @ 06/30/99	Onshore	Offshore	Combined	Company %
Sterling Software				
Outstanding (Undiluted)				82,441,000
Common	2,546,356	116,000	2,662,356	3.23%
Options	5,700,000		5,700,000	6.91%
Total Sterling Software	8,246,356	116,000	8,362,356	10.14%
Sterling Commerce				
Outstanding (Undiluted)				94,565,000
Common	1,411,145	0	1,411,145	1.49%
Options	1,500,000	4,035,000	5,535,000	5.85%
Total Sterling Commerce	2,911,145	4,035,000	6,946,145	7.35%
Michaels Stores				
Outstanding (Undiluted)				30,849,000
Common	1,358,224	2,162,134	3,520,358	11.41%
Options	3,050,000	1,490,000	4,540,000	14.72%
Total Michaels Stores	4,408,224	3,652,134	8,060,358	26.13%
Scottish Annuity & Life Hldngs				
Outstanding (Undiluted)				18,576,440
Common	2,050	937,220	939,270	5.06%
Class A Warrants	150,000	1,650,000	1,800,000	9.69%
Options	30,000		30,000	0.16%
Total Scottish Ann & Life Hldngs	152,050	2,587,220	2,739,270	14.75%

Stock Status Report Priced @ 09/30/00	Onshore	Offshore	Combined	Company %
Computer Associates				
Outstanding (Undiluted)				590,850,000
Common	1,435,735	65,354	1,501,089	0.25%
Options	1,732,455	1,478,925	3,211,380	0.54%
Total Computer Associates	3,168,190	1,544,279	4,712,469	0.80%
		1,544,279	4,712,469	
Michaels Stores				
Outstanding (Undiluted)				33,215,000
Common	1,531,834	2,752,134	4,283,968	12.90%
Options	900,000		900,000	2.71%
Total Michaels Stores	2,431,834	2,752,134	5,183,968	15.61%
		2,752,134	5,183,968	
Scottish Annuity & Life Hldngs				
Outstanding (Undiluted)				16,047,000
Common	2,050	1,055,220	1,057,270	6.59%
Class A Warrants	150,000	1,650,000	1,800,000	11.22%
Options	30,000		30,000	0.19%
Total Scottish Ann & Lfe Hldngs	182,050	2,705,220	2,887,270	17.99%
		2,705,220	2,887,270	

Faxed 9/

Fax Transmittal

To:	Keith King Shawn Cairns	From:	Shari Robertson Mike French
Company:	Wychwood Trust	Phone:	(214)
Date:	September 12, 1995	Fax:	(214)
Subject:	Delhi Trust Plaquemines Trust La Fourche Trust	Pages:	(1)

Redacted by the Permanent Subcommittee on Investigations

We will be in the Isle of Man on September 28th thru 29th. If it meets your schedule, we would like to meet with you for dinner on the 28th (7:00). We will have with us Evan Wyly (Sam's son) and Michelle Boucher (Scottish Annuity).

We would like to review and discuss the following items:

1. Review fee structure. Please provide us by early next week a recap of all fees charges since the inception of the trust and how that fee was calculated. Additionally, provide us with your normal quoted fee structure.

2. Discussion regarding record keeping and financial reporting and the distribution of those reports.

3. Custody issues.

4. Introduction of Michelle Boucher as our "Trust Manager".

5. Anything outstanding on Plaquemines and Delhi Trusts during the time you were trustee.

If you have any other items you wish to discuss, please let us know at the same time you respond about fee structure.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

MEMO WYLY

To:	**Charles Wyly, Don Miller**	From:	**Shari Robertson**
Company:		Phone:	**214** Redacted by the Permanent Subcommittee on Investigations
Phone:	**214** Redacted by the Permanent Subcommittee on Investigations	Fax:	**214**
Fax:	**214**	Date:	**September 30, 1997**
Number of pages:	**1**	Time:	**10:58 AM**

Comments:

Mike, Michelle and I plan to attend the Maverick London meeting on Tuesday, November 11th and proceed to the Isle of Man the next day. We plan to spend Wednesday, Thursday and Friday meeting with trustees. We'll probably take the evening plane back to London and leave for home on Saturday morning.

I wanted to extend an invitation to join us

Note to File

Bessie & Tyler Trusts

RJC met Mike French & Shari Robertson at the Dorchester on the afternoon of Tuesday 11th November, exactly one hour before the scheduled start of the *Maverick* AGM. Michelle Boucher's sister had been taken ill in Canada after a minor operation had produced some complications, and so she was unable to attend.

(The following comments on the meeting track Shari's agenda of the 4th November).

1. We will be asked by the annuitants of **Dortmund**, **Fugue** (both Bessie Trust) and **Elysium** and **Soulieana** to extend the original annuity payment date by 5 or 10 years to the age of 70or 75. This will take the form of a separate amendment to the original annuity agreements rather than a complete (and expensive) redrafting of the full agreement. RJC said that the trustees, in principle, would agree to these changes subject to MF obtaining legal approval of such a change (which would come from Chatzky).

2. RJC pointed out that we were still charging at $60 per hour and asked if MF recalled lifting this to £75 per hour. MF said that this had been approved exactly one year ago. RJC noted that we had yet to receive our fees for the quarter to the 30th June or the quarter to the 30th September and said that the new £75 rate would apply to both of these quarters with which MF and SR both agreed.

SR asked why there had been confusion in respect of VAT on trustees fees and why original invoices had been sent to her and Michelle on separate occasions. RJC could see no reason why VAT should not be charged on the trustees and original invoices 'sent' to the trustees with copies to MB. SR agreed that this was as things should be.

3. MF would forward written recommendations to LHT in respect of changes which he proposed to make to the Bessie Trust. It appears that they will simply bring Bessie into line with Tyler as, apparently, there are some small differences.

4. SR agreed that we are no longer trustees of the La Fourche Trust

5. The $1 million gift to the University of Michigan would be from Sam and building (The Sam Wyly Centre) would be built in his name. SR would let us know the exact entity where the payment was to be made from.

Autumn Trustees meeting.

6. RJC handed SR the original certificates of good standing and copies of the tax exemption certificates for the 7 companies. We will need to obtain these every year from now on. ✓

7. There is a real problem with *Christ & The Woman Taken.* This painting was bought from a 'reputable' New Orleans dealer at a price of $1.2 million and was attributed to Rubens. It now transpires that the painting was sold at auction by Sotheby's some 6 years ago for $70,000. (It was probably painted by one of Rubens' assistants rather than by the great man himself). MF wants the directors of **Fugue** to take a lawsuit out against the dealer (who is denying any legal responsibility) and gave RJC a handwritten note authorising the directors of **Fugue** to sign and fax an agreement with Robert B Shaw in NewYork who is, apparently, an expert in legal matters in the art world. THIS SHOULD BE SIGNED AND FAXED IMMEDIATELY IF WE ARE IN AGREEMENT.

MF (almost lamely, for him) said that Sam would always obtain verification by a third party as to the authenticity of any paintings which he might want the trustees to purchase in future.

8. As Michelle was not present at the meeting, we were unable to discuss fee charges but RJC noted that we have taken the £42 government filing fee (and 2 sets of tax exemption fees) before certain companies had been transferred to other trustees. It was a relief to be able to (correctly) blame this on Sue Prince who inflicted serious damage on our relationship with Michelle Boucher and, therefore MF & SR. They were pleased to hear about the appointment of Fiona who they would consult on day to day matters in the absence of BAR.

The Maverick meeting was well attended and lasted a further hour. David Bester from Trident in the Isle of Man was present but I could see no other rival representatives at the meeting.

RJC, 13th November 1997.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Shari Robertson
11/01/1999 08:07 AM
To: Shonda Cady/Maverick@[redacted]
cc:
Subject: Re: Trustee Meetings

It will be most important to spend some time with David Harris at 12:00 regarding Green Mountain. I could ask David to stay after the Maverick meeting and meet with you if that would work better. Let me know.
Shonda Cady

Shonda Cady
11/01/1999 10:01 AM
To: Shari Robertson/Maverick@[redacted]
cc:
Subject: Re: Trustee Meetings

Shonda Cady
Maverick Capital
214[redacted]

Shari:

This is a question on the meetings in London from Evan.
---- Forwarded by Shonda Cady/Maverick on 11/01/99 10:00 AM ----

Evan Wyly
10/29/99 08:52 PM
To: Shonda Cady/Maveric[redacted]
cc:
Subject: Re: Trustee Meetings of Nov 4, 1999

Shonda: I'm sure you mean Nov. 9 and not Nov. 4, but I wanted to double check.
Stacy: Please put on my calendar. Also, check and see what time the practice is, although I don't need much besides sound check at this point.
Shari: Due to Lisa's wedding, I don't arrive until 8:30a.m. that morning, so I am not sure I will make the meetings. Which of the two is more important?

Shonda Cady

Shonda Cady
10/25/99 12:03 PM
To: Evan Wyly/Maverick[redacted]
cc: Stacy Bryant/Maverick@[redacted]
Subject: Trustee Meetings of Nov 4, 1999

Shonda Cady
Maverick Capital
214-[redacted]

Evan:

Per instruction of Shari, the following is her meeting schedule for Tuesday November9, 1999:

12:00 PM - Meet with David Harris of IFG International 011-44-[redacted]
Location: The Dorchester

2:00 PM - Meet with David Bester of Trident Trust Company 011-44-[redacted]
Location: The Dorchester

4:00 PM - Maverick Meeting

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

[redacted] = Redacted by the Permanent Subcommittee on Investigations

EVAN WYLY
LONDON ITINERARY
NOVEMBER 8TH – NOVEMBER 10TH

Monday, November 8th

DFW to Gatwick – Boeing 777
Depart: 5:35 p.m.
Flight: 50
Terminal: A
Seat: 4D
Reference # VBTSZE

Tuesday, November 9th
Arrive: 8:20 a.m.

Transportation: Train
Accomodations: The Dorchester (conf: 48245)

Wednesday, November 10th

Gatwick to DFW – Boeing 777
Depart: 1:00 p.m.
Flight: 79
South Terminal
Seat: 3H
Arrive: 5:10 p.m. same day

MEETING SCHEDULE

Tuesday, November 9th

12:00 pm Lunch and meet with Shari, Mike and David Harris at The Dorchester in Mike's room
2:00 pm meet with Shari, Mike and David Bester at The Dorchester in Mike's room
2:00 pm rehearsal at The Dorchester
4:00 p.m. Maverick Annual Meeting
The Dorchester Hotel in the Orchid Room
Cocktails following the meeting in the Holford Room

IMPORTANT INFORMATION

American Airlines	800-242-4444 dial-a-flight
Dallas Travel	800-[redacted] Debbie
The Dorchester	011-44-171-629-8888 x [redacted]
Park Lane	Sophie Landry - Concierge
Your room was booked for the 8th.	011-44-171-317-6414 fax
David Harris	011-44-[redacted]
David Bester	011-44-[redacted]
Stacy	214-[redacted] cell

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

Confidential
SEC_ED00065855

PSI_ED00065855

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Shari Robertson
07/29/1999 07:31 AM

To: Shannon Phillips
cc:
Subject: Re: Annual Meeting

He'll be there with David. If you have room it would be nice to include him.

David Bester will probably have Francis Webb with him.

Peter Bond will proably have Ian Gardiner with him.

I can just ask these guys when I meet with them that day if you prefer.
Shannon Phillips

Shannon Phillips
07/29/99 09:29 AM

Redacted by the Permanent Subcommittee on Investigations

To: Shari Robertson/Maverick@
cc:
Subject: Annual Meeting

What about Ken Jones with IFG? Should we send an invite?

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

MEMORANDUM

To: **Sam, Evan**

Charles, Don

From: **Shari**

Date: **05/12/00**

Subject: **Isle of Man Trip**

The following is a recap of the IOM trip. If you'd like to discuss any of this let me know.

1) Jurisdictional Issues:

A) IOM corporations will become regulated as of 12/31/00. This is in the form of the party that formed the corporation making a statement to the regulators that the corporation has books and records. This change allows the IOM regulators an opportunity to make inspections.

B) South Africa is now charging a dividend tax on all monies repatriated. The S.A. community no longer will get a benefit through an IOM Trust. There is concern that a lot of the S.A. money will leave IOM because there is no tax savings. There may be some shrinkage of trustees because of this loss of business. A reminder that Trident is SA based.

C) Seems to be concern expressed by the trustees that within a matter of years that there will be further regulation, which might required submission of audited financials and access to trust documents. Bester's (Trident) solution was to hire a "lawyer" custodian to hold the trust deeds, which disclose beneficial ownership. The lawyer would be instructed by the protectors and the trustee not to release the trust deeds to anyone without joint consent. This would slow the process of delivery of the trust deeds down, giving the ability to flee the jurisdiction if it was deemed necessary.

2) Trust remediation steps to be taken at Trident regarding the 1995 trusts (La Fourche & Red Mountain):

A) Add Sean Cairns as a beneficiary as soon as possible,

B) Determine the accumulated income as soon as A) is complete.

C) Determine with Owens whether the income earned on the accumulated income is tainted. (Shari & Michelle to follow-up.)

D) If the income is tainted, form new corporations and transfer the assets from the original trust to the new trusts in exchange for a low interest-bearing note.

3) Trust remediation steps to be taken at IFG & Northern regarding 1992 and 1993 trusts:
   A) Merge 1992 trusts (Bulldog & Pitkin) into Bulldog II and Pitkin II to clean up perpetuity issues. This will be done with a short document already prepared by Fullerlove which Mike has reviewed and approved.
   B) Merge 1993 trusts (Delhi, Lake Providence and Castlecreek) into Bulldog II and Pitkin II. This is being done to minimize the number of trusts for future planning of dividing the existing trusts into sub-trusts.
   C) Restate Bulldog II and Pitkin II to be a complete trust deed on its own without referring back to prior trust deeds.
   D) Fullerlove and Harris have been instructed to move forward on A-C.
4) Other trust issues:
   A) Division of existing trusts to a specifically named beneficiary can be accomplished through sub-funds that are revocable or sub-trusts that are irrevocable. Trustees awaiting instructions before moving forward on this project.
   B) Trustees have been informed to plan cash to exercise all Michaels stock options prior to maturity date. Trustees awaiting selling instructions on what to do with stock that is not exercised and sold prior to maturity date.
   C) Discussed possibility of the trusts purchasing life insurance policies with the trustees. They
   Are awaiting recommendations before proceeding. Mike and Owns need to coordinate to bring this project forward.
   D) Informed trustees of valuation issues on annuities that were amended and extended previously. Michelle has already requested these valuations from Milliam & Shari. It is expected that the valuations will increase the annuity payable outstanding for the trusts.
   E) Interviews were held with prospective trustees that might be needed in the future. The following trustees were interviewed and are ranked in the order in which *I recommend they be used.* It would be good to get Mike and Michelle's opinion independent of mine. A number of these people are known by Don Beacock (former MeesPierson) and should check with him for references.
      1) Close Bank (recommended by David Harris)
         Met with Ian Bancroft, Managing Director
         Marcus _____ senior to Ian was off island and did not have an opportunity to meet
         This was our first visit to this organization. It appeared to me that this trust company was a good fit to the business needs required by the family. Close was recently acquired from Rhea Bros. It is a public company listed on the Irish Stock Exchange (160^{th} largest). Market cap of $2 billion. Services available are: investment management, banking and trust services. There are 10 persons in the trust department. The firm is responsible for over 400 trusts and companies ranging in size from $750,000 to $50 million. The average size is $2 5 – 4 million. Fees are a fixed responsibility fee and time (negotiable). No U.S. operations.
      2) Caledonia
         Met with David Burgess
         The Walker family (the other large law firm on the island) originally formed this company in the Caymans. This was our second visit. I really like David's approach and think he would work well with the family. He was the one who told us about the SA change. They've been on the IOM a short time and the business doesn't seem to

be growing quickly. Mike has expressed concern whether they will continue with the IOM operations. In discussions with Michelle later she feels that this trust company will continue on the IOM because of the Cayman requirements. Michelle is going to get with David when he's next in the Caymans. I have a good feeling about working with Caledonia and believe we should continue to visit and get acquainted.

3) Intercontinental (former Mees Pierson employee works there)
Met with Collin Platten, Director and Andy Wallis, Accountant (MP)
Platten started this company in conjunction with a Canadian family. Collin now owns the company independent from this family. Collin was personable and direct. This a small company with offices in IOM and London. IOM staff is 10 and there are 3 in London. His current client mix seems to lean toward the marine industry. He does not advertise for business and only takes clients from referrals. Fee structure is negotiable. The firm has 500+ accounts with 150 of the being trust structures. He is concerned about using leverage if they were minor beneficiaries. There are no minor beneficiaries. Platten was the one who made as aware of the new corporate reporting requirements. He travels to the U.S. twice a year and would be available to stop in Dallas. His business is predominantly marine (boats and yachts), trading (purchased from MeesPierson) and time share ledger management.

4) Anglo Irish
Enda Connolly, Offshore Trust Director and Any MacKellar, Accountant (former MeesPierson)
This is a public company with tremendous growth since the acquisition from MeesPierson. This was our first visit. I personally had a problem with Enda because he talked predominantly to Mike and ignored Michelle and myself, though every once in while he realized what he was doing and included us. Michelle didn't sense this as strongly as I did, but I was seated furthest from Mike. This could make for a difficult situation for the women in the Wyly family to deal with. He had a very smooth almost at times cutesy sales pitch. Having said this, I think it is worth a 2nd visit in case I read it wrong. (It was our last visit after 2 full days.)

F) Annuities:
1) Preliminary discussions with the trustees regarding the possibility of prepayment at a discount.
2) Michelle is to continue with analysis: cash flow requirements, early payment of taxes vs a Maverick ROR.
3) Michelle to ask Milliam and Shari to suggest a discount for prepayment.

G) Protector Company
1) Confirmed with Fullerlove that the trust deeds allow for one protector
2) Confirmed with Fullerlove that the protector can be a company as well as an individual.
3) Mike, Michelle and Shari need to continue work with Owens regarding structure. Need to develop a timeline for completion.

H) Audits:
1) Discussion were held with trustees recommending that audits be done on a going forward basis. The trustees and the protectors will define audit scope. It will most likely include an audit of income and expenditures and verification of assets. This will be done at the corporation level and consolidated at the trust level. It will not be

a full audit, as trust deeds should not be provided to the auditors. Some discussion was held whether a different auditor should be obtained for each trust. More thought needs to be put into this.

2) Why audits now? If Michelle becomes a member of the Protector Company the family has lost their independent 3rd party verification. In addition to this, the sheer size and lack of the family's day to day involvement in addition to Michelle's status change makes audits mandatory in my opinion going forward. I keep trying to do 100-year planning and this is a step that is necessary. Harris estimated $1000 pounds per entity. Each trustee is to provide a recommended audit scope in the near future. The protectors need input from the beneficiaries regarding this change and additional cost.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher " [redacted]
10/03/2000 11:03 AM

To: davidhe[redacted], KathyH[redacted], KennethJ[redacted]
cc: Shari Robertson/Maverick@[redacted], Mike French/Maverick@[redacted]
Subject: geneva meeting agenda

These are some items we hope to discuss at the geneva meeting, please advise regarding other items/issue you have for the list

- status of trust documentation
- status of protector company formation
- status of creation of sub-funds or sub-trusts
- SW family real estate projects (Two Mile Ranch/Cottonwood Capital)
- CW family real estate projects
- Chapparal Ventures update
- Intelecon update
- Ranger Group
- Precept Fund/Mgmt
- Greenmountain update
- Art/collectibles update

- att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher " <mboucher@[redacted]>
[redacted]
11/02/2000 03:05 PM

To: Shari Robertson/Maverick@[redacted]
cc:
Subject: IFG & Trident Agendas attached

I've attached agendas for Geneva - please take a look and advise of other matters to add before I distribute.

I understand from Shonda that you are available to meet for dinner on Monday with David. One of the things David wants to discuss with you and I directly is the crossover between the 1992's and the 1994 trusts, due to the differences in beneficiaries particularly as the existing letter of wishes will change. FYI, I put a call into Sam to generally discuss the letter of wishes and the fact that it will need to be amended for the creation of the sub-trusts. - I want to clarify whether Cheryl should be allocated a piece of Two Mile Ranch, or if this is for his kids, and whether her benefit from the trust should be limited to the sub-fund we are creating.

Anyway, given that we are going to loan assets from the 1992s to the 1994s, David wants to ask all the children to confirm their agreement to this in writing. He also feels a lot better about doing this if Aundyr is the trustee of both trusts. Which they will be when we merge the 1992s back together, but.... that is a huge pot to have at one place - I don't think we can represent to him that we wouldn't move part of the business for futher diversification.

Since he is raising issues on this, I mentioned to him the split dollar life insurance planning, knowing it makes his problem worse, but felt he should know that's where we want to go, likely within the next year.

- att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

MAVERICK DAILY SCHEDULE
MONDAY 11/6/00

Employee	Location	Company & Meeting Time
Lee Ainslie	New York to Geneva Depart JFK 7:50pm Arrive Geneva 9:15am 11/7 Hotel du Rhone 41-22-909-0000 Phone	No Meetings
Bob Bishop	New York	No Meetings
Duke Buchan	Geneva Hotel du Rhone 41-22-909-0000 Phone	12:00 Meeting w/Phil Ryan of Credit Suisse 41-1-33-9805 Phone 2:45 Meeting w/Mark Branson of UBS 41-1-234-4360 Phone
Amy Castillo	Geneva Hotel du Rhone 41-22-909-0000 Phone	
Carter Creech	Chamonix, France Hameau Albert 40-553-0509 Phone	No Meetings
John Fichthorn	San Diego Marriott Coronado 619-435-3000 Phone	
Catherine Heitman	Vacation	
Lee Hobson	Dallas	No Meetings
Winston Holt	New York to Geneva Depart JFK 7:50pm Arrive Geneva 9:15am 11/7 Hotel du Rhone 41-22-909-0000 Phone	No Meetings
Steve Kapp	Philadelphia	No Meetings
Brian Kelly	New York	11:00 Meeting w/Auto analyst - NY office
Mike Pausic	Dallas	No Meetings
Shari Robertson	Geneva Arrive Geneva 12:15pm Hotel du Rhone 41-22-909-0000 Phone	3:00 Meeting w/David Bester and Francis Webb – Hotel du Rhone
Tripp Rudisill	Ft. Lauderdale Boca Raton Resort and Club 561-395-3000 Phone 561-447-3183 Fax	Wit Soundview Conference
Steve Schreder	Philadelphia to Tampa Depart PA 8:01am Arrive Tampa 10:40am Marriott 843-221-4900 Phone	Cardinal Health Investor Conference
Evan Wyly	Geneva Hotel du Rhone 41-22-909-0000 Phone	3:00 Meeting w/David Bester and Francis Webb of Trident Trust Co. – Hotel du Rhone
Brian Zied	New York	No Meetings

EVAN WYLY
GENEVA ITINERARY
NOVEMBER 5th – 8th, 2000

Sunday November 5th

7:00 PM Depart TXI
300 WY
Passengers: Evan, Donnie, Shari and Keeley (round trip)
Catering

Monday November 6th

1:40 AM Arrive Stevenville, NF
CYJT - Stevenville Aviation

2:40 AM Depart Stevenville

12:15 PM Arrive Geneva
Cointrin/LSGG - Jet Aviation
Take cab to The Hotel du Rhone (Mandarin Oriental) Approx. 15 minutes to Hotel.
Confirmation 117910-(pre-registered for the 5th)

2:30 PM Meeting - **David Bester and Francis Webb, Shari Robertson, Evan Wyly, Michelle Boucher, Keeley Hennington and Don Miller**
Location: The Hotel du Rhone (Dalcroze Conference Room)
Coffee, tea & biscuits will be served

Tuesday November 7th

12:30 PM *Meeting- David Harris, Ken Jones, Kathy Harding, Shari Robertson, Evan Wyly, Michelle Boucher, Keeley Hennington, Don Miller*
Location: The Hotel du Rhone (Dalcroze Conference Room)

****Note time change for speakers****

1:30 AM Speaker practice at Hotel du Rhone – St. Gervais Room

3:00 PM Maverick Capital Meeting
Location: The Hotel du Rhone (Mandarin Oriental)
St. Gervais Room-Ground Floor

5:00 PM Cocktails served in Rhone III Room-Ground Floor

8:00 PM Dinner with Alicia Rubi

Meeting with IFG International
David Harris, Ken Jones & Kathy Harding
Tuesday, November 7th, 2000
Agenda Items

1. Status of Trust Documentation
   - appointment to Bulldog II, Pitkin II (completed)
   - change trustee of Delhi, Lake Providence and Castle Creek from Northern to Aundyr
   - Merge Bulldog II, Delhi & Lake Providence
   - Merge Pitkin II, & Castle Creek
   - Possible change of Trustee for Bessie to Northern from Aundyr?

2. Creation of sub-funds (SW Family – to move forward asap)
   - documentation
   - asset allocation
   - lending of assets/funds across trusts

3. Creation of sub-funds (CW Family – in planning phase)
   - may result in assets loaned across trustees

4. Discuss plans for SAC annuities and planning with the use of variable life policies, including split dollar arrangements across trusts (SW affected trusts with Northern/Aundyr – CW trusts span different trustees)

5. Status of protector company formation and discussion of parties to be involved

6. Audits of IOM companies

7. Investment update
   - Two Mile Ranch
   - Cottonwood
   - Global Audio Visual
   - Intelecon
   - Ranger Group
   - Precept
   - First Dallas International
   - Red River Ventures
   - Greenmountain
   - Art/Collectibles
   - Chapparal
   - Michaels
   - Computer Associates
   - Scottish Annuity & Life Holdings

8. Review of trustee fees

F: IRISH TRUST

Memo

To: **Sam Wyly** **Charles Wyly**
Evan Wyly **Don Miller**
Lisa Wyly **Shari Robertson**
Laurie Wyly **Keeley Hennington**

Re: **Isle of Man trip 2001**
Date: **March 20th, 2001**
From: **Michelle Boucher**

I've attached the following documents relating to the trip.

- review of past meetings with potential new trustees
- contact information for existing trustees
- meeting itinerary

As you are aware, the main goal of this trip is to select a new trustee. The attached outlines some background information on the four companies we are currently looking at. However, only two of them are really up for selection this trip – Close Brothers Group and Inter-Continental.

(?) We will look to move one of the trusts from the IFG International relationship (David Harris), and are recommending that Pitkin Trust be transferred. Pitkin Trust is a CW family related trust of the 1992 series. This will leave Bulldog Trust and Bessie Trust at IFG. Bulldog and Bessie are 1992 and 1994 series trusts, by leaving one of each series at IFG we will benefit from their advice on each structure. This advice will benefit all trusts, whether they are at IFG, Trident or the new Trustee. It is recommended that Pitkin Trust be transferred rather than Bulldog as it is smaller (about ½ the size and number of underlying companies), so moving it will have the least impact on David Harris' business.

VS, DIVERSITY SW ?

Other itinerary items:
Monday night - there are currently no arrangements for dinner on Monday evening. I suggest obtaining a recommendation from the hotel upon arrival.
Tuesday morning – plan to meet in the hotel lobby for 7:30 am departure, Lesley is co-ordinating ground transportation.
Tuesday night – dinner is planned for 7:15pm with David Harris, he has arranged for a table at Ciapelli's (which I believe is Italian – our favourite Indian restaurant is closed)
Wednesday morning – plan to meet in the hotel lobby for 7:30am departure again.

If anyone has additional questions, please feel free to contact me directly.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

Review of past meetings with potential new trustees

Close Brothers Group (8am Tuesday, March 27th)

29-31 Athol Street, Douglas
011-44-4624-643-200
011-44-1624-625-248
website: www.close.co.im

Mark Lewin, Trust Director
Gary Hepburn, Trust Manager

150
200 IAN
45 SEC
35 ADMIN
W/HL

This will be our second meeting with the Close Group, we were referred to Close Bank last year by David Harris at IFG International. We are meeting with Mark Lewin, Trust Director and Gary Hepburn, Trust Manager. Last year we met with Ian Bancroft the Bank's Managing Director, as Mark was travelling. Gary just joined the group late last year.

Close Brothers Group in the UK is the oldest independent Merchant Bank, and one of the largest 150 companies listed on the London Stock Exchange. When we visited them last May they had a market cap of approximately $2Bn. I've attached a recent update from the Bank indicating the group's profit before tax was up 103% for their year ended July 31st, 2000. Current market capitalization per Bloomberg is GBP 1.164Bn (approx US $1.7Bn). Their Bloomberg ticker is CBG LN. I've attached Income Statement and Balance Sheet summary information from Bloomberg.

NW: NET - $2.5B
MUTUAL FUNDS
DISCRETIONARY

The Close Group has offices operating in England, Isle of Man, Guernsey and Geneva. They have a licensed operation in Cayman which is managed by CIBC. They have operated in Isle of Man (under the former Rea Brothers Group) for 25 years and are able to offer a full range of service including investment management, banking services, trust and company management.

BUYING CAYMAN

+ UNIBANK
220 CO.
80 TRUSTS
LARGEST $80A
US BASED ASSET MGT
15 LARGE US. TRUST
7 $5M

SYSTEMS:
LINK FW'L
BANK 2000
TRUST 2000

SOON - FEW AD. ELECTRONICALLY SEE ACCTS.

At our meeting last year, we noted that in Isle of Man they employed 10 people in the Trust department, managing over 400 trusts and companies. Their typical client size is $2.5M - $4M, with their largest client being in the $50M range. Fees are based on actual responsibility – ie. Registered office, directors, trusteeship as well as time spent. They appear to have a good accounting system with portfolio management integrated into the general ledger system. No US operations were noted.

AUDITS

DECLINED OR LEGAL TAX UNION

FIDUCIARY VS. STRICT TRUST

BANKRUPTCY REMOTENESS

→ PROTECTION
— NO BENEFICIARIES

2 QUALIFIED ACCTS
1 CHANNELS
1 GERMITED
1 UNQUALIFIED
GARY + ADMIN
1ST PT OF CALL -
2 SIG. INCL. GARY OR MARK
2 TEAMS ADMIN
2 TEAM ACCT CONTINUITY
PART TIME/COMPLIANC

Although last year was our initial contact with the group, we enjoyed meeting Ian Bancroft and felt that Close Bank was a good fit for the family trusts. They appear to be a growing organization with good management. The size of the trust operations should allow for adequate coverage to service the needs of the family trusts. They are able to provide a full range of financial services, which may be an asset in years to come. Since we don't have a previous relationship with anyone in this organization, we need to be comfortable that we will get the quality of service we have come to expect on a timely basis. We also need to feel comfortable that this group will be flexible and are happy to work with us on the types of transactions the trusts typically enter into.

OFF OECD LIST - APP. RATE RESIDENT / NON-RESIDENT - 12-18% - NOT RWT PENCING
LLC - RESIDENT (ORDINARY) - NEGOT. RATE AS LOW AS INT'L LLC - OK W/ SWEDISH
IOM - AAA SEP/MOODY RATING

COMPLY - INDEMNIFICATION
- OK IF UNDERLYING CO.
- PROTECTION/BENEFICIARIES

INDEMNIF. ON TRANSFER OF TRUSTS

+ INVESTMENT SCHEME

Close-up

News and comment from Close Group in the Isle of Man

Group results "exceptional"

rec'd Dec 2000

CLOSE Group in the Isle of Man has contributed towards record breaking profits for the Close Brothers Group plc for the year ended July 31st which have been described as "exceptional". Group profit before tax was up by 103% to £155.1m compared to the previous year's figure of £76.3m

The Isle of Man arm, together with the other offshore offices in Guernsey and Geneva, were described as having made "strong progress" during the year. The current figures reflect year-on-year increased profits for the Isle of Man Company (previously operating under the Rea Brothers name) which celebrates its twenty-fifth anniversary in 2001.

Managing Director of Close Group IOM, Ian Bancroft, said: "We are again pleased to have made a positive increased contribution to the Group profits which were assisted to some extent by the take-over of EBS Bank (Isle of Man) Limited. However, there has been a very strong overall performance from each of the companies within the Isle of Man grouping and we are confident this will continue in the future."

Des McCauley, Chairman of Close Group IOM, added, "These results represent the 25th consecutive year of increased profits for Close Brothers Group which we believe is a unique performance in any of the top 200 companies on the London Stock Exchange. Profits have grown in excess of 25% per annum compound over that period - an outstanding record."

A large part of the record profits was attributed to the strong performance of

Winterflood Securities, the market-making business. Group Managing Director Rod Kent said that an exceptional increase in trading was prompted by the frenzy for Internet stocks earlier this year which had generated additional profits of £50 million. "We don't expect this to happen every year but there has been a step change in people's propensity to deal in stocks and shares," he said.

He added that asset management activity had emerged as an important and rapidly growing profit centre of the Group, helped by the integration of Rea Brothers during 1999. Group Chairman Sir David Scholey said: "Whilst we are proud to celebrate 25 years of unbroken profit growth under the same leadership, we are not complacent about the future.

The new year has started well and we see continuing organic growth ahead. Close Brothers has a robust and clear strategy, a proven and well supported management team and the motivation to achieve its goals."

A final dividend of 17p has been proposed, making a total of 25p against 16p for the year. Earnings per share were 71.9p compared with 42.1p, an increase of 71%. Dividends per share were up 56% from 16p to 25p.

Anniversary Dinner

A PRIVATE celebration dinner has been held to mark a notable landmark of Close Group Isle of Man. The occasion was the first anniversary of the acquisition of the Rea Brothers Group by Close Brothers Group plc, one of the last remaining independent merchant banks in the City of London.

Although the names changed when the operation was acquired by Close Brothers plc in the latter half of 1999, the Isle of Man companies have a long established reputation under the Rea Brothers banner which was first introduced to the Isle of Man in 1976, making 2001 another notable landmark - its 25th anniversary.

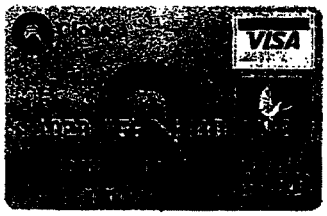
Guests at the dinner included Treasury Minister Richard Corkill, Treasury member Sir Miles Walker, Chief Executive of the Financial Supervision Commission John Aspden, Income Tax Assessor Ian Kelly and Isle of Man Government Chief Financial Officer John Cashin.

Representing the Close Group were Ian Bancroft, Managing Director of Close Group Isle of Man, Des McCauley, Chairman of Close Group Isle of Man and non-executive director Terry Groves.

Also present were Colin Keogh and Stephen Hodges both London-based

Directors of Close Brothers Group plc with specific responsibility for the Isle of Man operations

International Gold Debit Card



EASIER payments and cash withdrawals are now possible with the Close International Gold Debit Card which is now available internationally to individuals and companies. Readily accepted at any of VISA's 18 million outlets around the world, the Close International Gold Debit Card, denominated in sterling, US dollar and euro, provides the cardholder with the ability to access their funds, pay for goods and services, and withdraw cash.

Transactions are debited from the client's account with Close Bank (Isle of Man) Limited, reducing paperwork as there are no monthly credit card bills to settle.

The card is available to individuals no matter where they are resident, although for security reasons cards are not available in certain high-risk countries.

Albert Dudgeon, Banking Director of Close Bank (Isle of Man) believes the card will be a particularly attractive option to intermediaries and beneficial owners. "The card is open to any legal entity. Provided we can carry out the appropriate due diligence, it does not really matter whether it is a conventional company, a foundation, anstalt, or indeed a Delaware Corporation. As long as the company has legal capacity to give the card to a representative and maintains the appropriate funds with us, the service is available."

With card administration and settlements handled through the Channel Islands, it is a truly offshore product of particular interest to non-

Appointments

DES McCauley has been appointed as Chairman of Close Group in the Isle of Man to spearhead the development of the company's three businesses, working closely with managing director Ian Bancroft.

Des has joined Close Group Isle of Man at an important time in its history, adding his wealth of experience in the Isle of Man finance sector to the Close Group's strategic expansion of its operation on the island.

Des McCauley has more than 30 years' experience in the banking industry, all with the Natwest Group. Having previously worked in Belfast, London and Dublin, he first came to the Isle of Man 14 years ago to set up Ulster Bank (Isle of Man) Limited.

Appointed as managing director of Coutts Isle of Man in 1995, he was later named as managing director of the Isle of Man Bank in December 1997, a position he held until earlier this year.

CLOSE Group Isle of Man has appointed Ken Watterson as Compliance Manager, assuming overall responsibility for compliance covering the Group's Isle of Man activities in the fields of banking, investment management and corporate service provider services, reporting directly to finance director Duncan Jude.

Ken Watterson was compliance manager for Coutts Isle of Man between 1993-1999. Previously, he worked with Coutts for an additional three years in the Trust and IT Departments. He began his career in the finance sector with accountants KPMG. Previously, he had been a research scientist, working in England and Scotland before returning to his native Isle of Man to work in Noble's Hospital.

Ken Watterson is well known in the Isle of Man and around the world for his work as founder of the Basking Shark Society which researches the life of the giant sharks which are found in large numbers in Manx waters. He is keen to stress that his appointment with Close Group will not affect his commitment to the basking shark project.

GARY Hepburn has joined Close Group Isle of Man as Trust Manager, filling a position left vacant since the promotion of Mark Lewin to Trust Director in 1999.

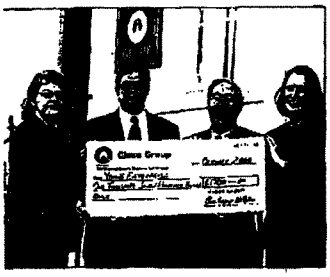
Gary has 16 years trust experience both onshore and offshore having started his career with a UK Clearing Bank trust company. This was followed by a six-year spell in Bermuda. Gary moved to the Isle of Man nearly two years ago, during which time he has been working for a major South African financial services group.

Trust Director Mark Lewin commented "I am delighted to welcome Gary to the Group. His extensive experience will add depth to our existing team, which we need going forward in what is an ever more challenging business environment".

Gary's appointment will allow Mark Lewin to concentrate on strategic development and marketing of the trust services available through Close Group in the Isle of Man.

Young Enterprise

FINANCIAL support has again been provided by Close Group Isle of Man for the Young Enterprise Scheme, this year by the way of funding for one of the major events on the annual calendar for the organisation



Close Group has sponsored two weekends of team building for the managers of the 26 Young Enterprise companies, staged at the outdoor pursuits centres at Dalby, Isle of Man.

Held from a Friday evening through to Sunday afternoon, the two weekends are always voted by the managers as the most memorable events of their busy sixth form school schedule.

The teams, who competed over the two weekends, carried out a wide range of activities involving a series of initiative tests, both physical and mental, including the construction of bridges, climbing waterfalls, night time orienteering and river crossing. All activities were fully supervised. Young Enterprise co ordinator Neil Micklefield said "Although it was competitive, the tests were also staged with a sense of fun and enjoyment for everyone taking part." The Group has a special interest in the Young Enterprise scheme, as the late Sir Walter Salomon, majority shareholder of Rea Brothers Group, was responsible in 1963 for creating Young Enterprise in the United Kingdom. It was for this achievement that he received his knighthood in 1987

Government roadshow - New York/Boston

CLOSE Group was represented at the Isle of Man Government's official roadshows held in Boston and New York in October to promote the island's financial services industry. Trust Director Mark Lewin attended the two one-day roadshows which were staged at the same time as the Isle of Man yacht was in Boston at the end of the first leg of the BT Global Challenge yacht race and the start of the second leg to Buenos Aires

As well as being able to visit existing clients, Mark Lewin took the opportunity to introduce Close Group to a number of potential new clients and intermediaries. He said: "Although there is a fairly narrow range of corporate services that we have targeted to provide to United States residents and expatriates, we were able to establish a number of very useful contacts

No cards, but plenty of charity this Christmas!

Rather than send Christmas cards to its clients and friends this year, Close Group Isle of Man has decided to make a donation to charity. Chairman Des McCauley explained "We have decided to make a donation this year to the Police Christmas Parcels for Needy Folk fund. We are pleased to support the work of this charity in the Isle of Man, and we hope that our donation will help to make Christmas more enjoyable for the less privileged members of our community. On behalf of our team, I would like to wish all our customers, professional contacts and friends a very happy Christmas and a peaceful New Year"

Page DG25 Equity DES

Hit 1 <GO> for more balance sheet information (CH3).

BALANCE SHEET (Mil of GBP) Page 9 /10

CBG LN CLOSE BROTHERS GROUP PLC

	7/1999	7/2000		7/1999	7/2000
			Demand deposits	104.83	300.89
Cash & bank bal	.06	.23	Saving deposits	.00	.00
Interbank assets	604.37	1108.33	Time deposits	430.88	765.50
ST investments	55.02	86.42	Other deposits	.00	.00
Commercial loans	260.20	413.91	Total deposits	535.72	1066.39
Consumer loans	.00	.00	ST borrowings	225.53	237.88
Other loans	460.22	505.42	Other ST liab	102.86	204.62
Tot adv to cust	720.43	919.33	LT borrowings	348.70	447.08
Res doubtful debt	19.20	23.99	Other LT liab	220.64	313.04
Net adv to cust	701.23	895.33	Total liabilities	1433.45	2269.01
LT investments	74.87	106.59	Preferred equity	.00	.00
Net fixed assets	12.56	20.82	Minority interest	2.11	7.97
Other assets	253.60	427.10	Ord share cap/prem	171.02	219.00
Cust accept liab	.00	.00	Reserves	95.14	148.84
Total assets	1701.72	2644.83	Shareholder equity	268.27	375.82
			Tot liab & equity	1701.72	2644.83
Non-perform assets					
Off-bal comm&cont	475.92	124.94	Shares out	128.57	135.04
Real estate loans			Interest Bearing L	1109.95	1751.35
Foreign loans			Foreign deposits		

Bloomberg PROFESSIONAL

Page DG25 Equity DES

Hit 1 <GO> for more income statement information (CH2).

INCOME STATEMENT (Mil of GBP) Page 8 /10

CBG LN CLOSE BROTHERS GROUP PLC

	7/1997	7/1998	7/1999	7/2000
Interest & inv't income	101.09	117.64	121.68	166.60
Interest payable <exp>	46.49	61.38	61.42	90.61
Net interest income	54.60	56.26	60.25	75.99
Dealing profit (loss)	45.65	55.62	67.16	203.95
Comm & fees rec.	39.70	61.56	66.16	122.05
Other op income (loss)	2.03	3.06	1.34	6.76
Prov doubt. debts	5.66	7.80	8.03	12.53
Comm & fees pay.	8.26	10.23	9.37	25.71
Operating expenses	72.63	88.89	101.21	217.72
Operating profit (loss)	55.43	69.58	76.32	152.80
Net non-op L (G)	.00	.00	.00	8.04
Tax on profit (loss)	18.36	22.41	24.47	46.86
Prof (loss) before XOI	37.08	47.17	51.85	97.90
XO L(G) pretax	.00	.00	.00	.00
Tax effect on XO items	.00	.00	.00	.00
Minority interest	.95	.93	.98	2.67
Net profit (loss)	36.13	46.24	50.86	95.24
EPS bef disc oper	.30	.38	.42	.72
FRS3 EPS	.298	.382	.421	.719
Avg # shares for EPS	121.29	120.54	120.86	132.50

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Inter-Continental Management (9:30am Tuesday, March 27th)
Prospect Chambers
Prospect Hill
Douglas, Isle of Man
011-44-1624-626-561 tel
011-44-1624-628-580 fax

Colin Platten, Managing Director
Mark Byrne

We met with Colin Platten in Isle of Man last year, and in January of this year, Colin visited the Dallas office and met with Keeley, and myself (via telephone). One of the Trust Administrators, Andy Wallis, joined Inter-Continental when MeesPierson was sold to Fortis about 3 yrs ago. Andy worked extensively on the family trusts when he was at MeesPierson and provided excellent service. He is our main contact and introduction to this group. Unfortunately Andy is traveling on a six month sabbatical and will not be able to attend our meeting next week.

Colin started the company in conjunction with a Canadian family but now owns the company independently of them. It is a relatively small organization with offices in Isle of Man and London, employing a total of 10, and 3 staff members respectively. They are also licensed in BVI, but have no physical presence there. They do not advertise and only accept clients by referral from professional intermediaries. As of our meeting date last year they managed approx 520 companies which included about 150 trusts. They have developed a niche in managing marine and shipping entities as well as time share ledger management. Colin is personable and energetic, and was knowledgeable and informative about local Isle of Man activities and pending legislative changes. They have no US operations.

Last year was our first direct contact with this group, but our relationship with Andy Wallis started in 1992. Our impression has been that Colin would be a good contact on Isle of Man and provide creative input to the ongoing management and structuring of future trust activities. We have worked with Andy previously and are confident of his abilities and quality of service. We need to clarify the size of their accounts to see how we fit and become more comfortable with their ownership and financial stability

Caledonian Trust (IOM) – no meeting scheduled, see below
St. James Chambers
Athol Street
Douglas, Isle of Man
011-44-1624-617-780 tel
011-44-1624-617-781 fax

Caledonian was set up in Isle of Man a few years ago to complement Caledonian's Cayman operations. Caledonian in Cayman was set up by principals of Walkers (the second largest law firm in Cayman) to provide company incorporation and management services to clients of the law firm. They have grown over the past 15 yrs or so to one of the largest trust and company managers in Cayman, employing over 30 people with full trust, banking and mutual fund administration services. We have met with David Burge, Managing Director twice in Isle of Man, and I've met with David Sargison and Fiona Barry from their Cayman office on two occasions. We were introduced to this group by Paul Dougherty, a partner at Simcocks, Attorneys at law, which is a large law firm we

have worked with in Isle of Man. Paul was a former partner at Walkers in Cayman and currently sits on the board of Caledonian.

The Isle of Man operations employs approximately 6 people, who are fairly well qualified. They saw somewhat of a decline last year due to a change in South African domestic policy regarding receipt of dividend income which resulted in a decrease in some of their client base. I have been in touch with David Burge during the past year and he advises that the Isle of Man office has grown significantly this year. Two significant clients closed their direct offices in Isle of Man, transferring the business to Caledonian. They also administer a number of mutual funds and are applying for a Corporate Service Providers licence. They have no US operations.

Unfortunately David was called to a Board meeting in Paris and as such we do not have a meeting scheduled with them for this year. It is worthwhile to discuss them as I think they will be a viable alternative for the future and we should continue to maintain contact with them. The are still early on in their development but have good management and strong backing from Cayman. I expect they will grow steadily and in the future will be a good fit for family trusts. David Burge and David Sargison are very experienced, personable and informative, I think everyone would be comfortable working with them.

Anglo Irish Bank (8am Wednesday, March 28th)

69 Athol Street
Douglas, Isle of Man
011-44-1624-614-982 tel
011-44-1624-614-983 fax
website: www.angloirishbank.ie

Andrew MacKellar, Accountant
Stewart Davies, Chief Executive

Last year was our first meeting with this group. Anglo Irish bought out the MeesPierson trust business a few years ago, and now employ one of our former MeesPierson contacts, Andrew MacKellar. Andrew, like Andy Wallis at Inter-Continental has proactively maintained a relationship with us since the sale of MeesPierson. He been our primary contact for developing this relationship and have known him since 1996.

Anglo Irish is a publicly traded company that is has seen rapid and expansive growth over the past couple of years, largely due to aggressive acquisitions. Based on our brief initial visit last year they seem to be a good fit for the family trusts. However, Shari and I were apprehensive about their slick/fast paced sales pitch and the fact that Enda Connolly, the Offshore Trust Director spoke mainly to Mike French throughout our meeting. As it was our last meeting of a hectic trip, we feel it is worthwhile to return to see them again and meet others within the organization. Enda Connolly has since gone back to Ireland.

On this trip we will meet with Andrew MacKellar and Stewart Davies, their Chief Executive. This meeting is scheduled for our second day, after the selection of the new trustee has taken place. The purpose of this meeting will be to focus on meeting a few more members of management, and learn more about their specific business and operation. Based on what we think this year, we can decide whether we think they might be a good fit at a future date, and whether we should maintain contact.

Contacts for existing trustees

Aundyr Trust Company (2:30pm Tuesday, March 27th)

IFG International	David Harris, Managing Director
International House	Kathy Harding, Snr Trust Manager & Director
Castle Hill, Victoria Road	Melanie Quayle, Snr Trust Administrator
Douglas, Isle of Man	Introduction of replacement for Ken Jones
011-44-1624-630-600 tel	
011-44-1624-624-469 fax	

Trident Trust Company (IOM) Limited (11am Tuesday, March 27th)

12-14 Finch Road	David Bester, Managing Director
Douglas, Isle of Man	Francis Webb, Senior Manager
011-44-1624-620-588 tel	
011-44-1624-646-700 fax	

37 PCD. THIS CO.
WE ARE BIGGEST
1200 ENTITIES

ATLANTA REP. OFFICE

INTERTRUST
ARTHUR COOPER
★ WEB SITE → TRIDENTTRUST.COM

★ INSURANCE $10M / CLAIM

IOM TRIP ITINERARY 2001

	Sunday March 25th	Monday March 26th	Tuesday March 27th	Wednesday March 28th
8am			8am Close Bank	8am Anglo Irish Bank
			Mark Lewin/Gary Hepburn	A MacKellar/S Davies
9am			9:30am Inter-continental	9am revisit selection
			Colin Platten	for new trustee
10am		10:10am-MB into LHR		10:30am transfer to airport
		check into airport hotel		
11am		until 4pm flight	11am Trident	11am leave IOM - G3
			David Baster & Francis Webb	11:30am arrive Shannon, Ire
12pm			12:30 lunch	12:30pm depart Shannon, Ire
1pm			Regency Hotel (private room)	12:45pm arrive NY - JFK
		1:39pm DFW crew arrive IOM	to discuss & select new trustee	1:30 depart NY - JFK
2pm		transfer to Mt. Murray Hotel	2:30pm IFG Int'l	
			David Harris & Kathy	
3pm			Harding	
4pm	4:05pm-MB depart GCM	4:09pm-MB depart LHR	4:00pm MB & SR to Castletown	
	AA Flt 1018	Manx Air Flt 308	visit with Shaun Cairns - drop	4:39pm arrive Dallas Love Field
5pm		5:15pm arrive IOM	everyone at hotel enroute	
		transfer to Mt. Murray Hotel		
6pm				
7pm	7:45pm-MB depart MIA	Dinner plans to be determined	7:15pm Dinner w David Harris	
	AA Flt 58		Capelli's (Italian)	
10pm	10pm Dallas crew depart enroute to IOM			

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Prospect Hill
Douglas, Isle of Man
011-44-1624-626-561 tel
011-44-1624-628-580 fax

Colin Platten, Managing Director
Mark ? Byrne

Account System - SUN
Reporting excell spread sheets
job stream -

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2 mgmt cos
1 time share
2 trading Co.

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500 active accounts

20% Trust
80% Company

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Trust size
1m - 10 m
Base size up to 40

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

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Introduction of replacement for Ken Jones

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Douglas, Isle of Man
011-44-1624-620-588 tel
011-44-1624-646-700 fax

David Bester, Managing Director
Francis Webb, Senior Manager

Review of past meetings with potential new trustees

Close Brothers Group (8am Tuesday, March 27th)

29-31 Athol Street, Douglas — Mark Lewin, Trust Director
011-44-4624-643-200 — Gary Hepburn, Trust Manager
011-44-1624-625-248
website: www.close.co.im

This will be our second meeting with the Close Group, we were referred to Close Bank last year by David Harris at IFG International. We are meeting with Mark Lewin, Trust Director and Gary Hepburn, Trust Manager. Last year we met with Ian Bancroft the Bank's Managing Director, as Mark was travelling. Gary just joined the group late last year.

Close Brothers Group in the UK is the oldest independent Merchant Bank, and one of the largest 150 companies listed on the London Stock Exchange. When we visited them last May they had a market cap of approximately $2Bn. I've attached a recent update from the Bank indicating the group's profit before tax was up 103% for their year ended July 31st, 2000. Current market capitalization per Bloomberg is GBP 1.164Bn (approx US $1.7Bn). Their Bloomberg ticker is CBG LN. I've attached Income Statement and Balance Sheet summary information from Bloomberg.

The Close Group has offices operating in England, Isle of Man, Guernsey and Geneva. They have a licensed operation in Cayman which is managed by CIBC. They have operated in Isle of Man (under the former Rea Brothers Group) for 25 years and are able to offer a full range of service including investment management, banking services, trust and company management.

At our meeting last year, we noted that in Isle of Man they employed 10 people in the Trust department, managing over 400 trusts and companies. Their typical client size is $2.5M - $4M, with their largest client being in the $50M range. Fees are based on actual responsibility – ie. Registered office, directors, trusteeship as well as time spent. They appear to have a good accounting system with portfolio management integrated into the general ledger system. No US operations were noted.

Although last year was our initial contact with the group, we enjoyed meeting Ian Bancroft and felt that Close Bank was a good fit for the family trusts. They appear to be a growing organization with good management. The size of the trust operations should allow for adequate coverage to service the needs of the family trusts. They are able to provide a full range of financial services, which may be an asset in years to come. Since we don't have a previous relationship with anyone in this organization, we need to be comfortable that we will get the quality of service we have come to expect on a timely basis. We also need to feel comfortable that this group will be flexible and are happy to work with us on the types of transactions the trusts typically enter into.

2 qualified accounts
2 US qualified

Memo

To:	**Sam Wyly**	**Charles Wyly**
	Evan Wyly	**Don Miller**
	Lisa Wyly	**Shari Robertson**
	Laurie Wyly	**Keeley Hennington**

Re: **Isle of Man trip 2001**
Date: **March 20th, 2001**
From: **Michelle Boucher**

I've attached the following documents relating to the trip.

- review of past meetings with potential new trustees
- contact information for existing trustees
- meeting itinerary

As you are aware, the main goal of this trip is to select a new trustee. The attached outlines some background information on the four companies we are currently looking at. However, only two of them are really up for selection this trip – Close Brothers Group and Inter-Continental.

We will look to move one of the trusts from the IFG International relationship (David Harris), and are recommending that Pitkin Trust be transferred. Pitkin Trust is a CW family related trust of the 1992 series. This will leave Bulldog Trust and Bessie Trust at IFG. Bulldog and Bessie are 1992 and 1994 series trusts, by leaving one of each series at IFG we will benefit from their advice on each structure. This advice will benefit all trusts, whether they are at IFG, Trident or the new Trustee. It is recommended that Pitkin Trust be transferred rather than Bulldog, as it is smaller (about ½ the size and number of underlying companies), so moving it will have the least impact on David Harris' business.

Other itinerary items:
Monday night - there are currently no arrangements for dinner on Monday evening. I suggest obtaining a recommendation from the hotel upon arrival.
Tuesday morning – plan to meet in the hotel lobby for 7:30 am departure, Lesley is co-ordinating ground transportation.
Tuesday night – dinner is planned for 7:15pm with David Harris, he has arranged for a table at Ciapelli's (which I believe is Italian – our favourite Indian restaurant is closed)
Wednesday morning – plan to meet in the hotel lobby for 7:30am departure again.

If anyone has additional questions, please feel free to contact me directly.

Michelle

ISLE OF MANN
FLIGHT ITINERARY
March 25th – March 28th, 2001

= Redacted by the Permanent Subcommittee on Investigations

Sunday, March 25th

10:00 PM **Depart:** TXI
Plane: 300 WY
Passengers: Evan, Donnie, Laurie, and Shari

Monday, March 26th

5:00 AM **Arrive:** Gander, New Foundland / Gander International

6:00 AM **Depart:** Gander
1:36 PM **Arrive:** IOM / Ronaldsway Airport
Transportation: Van (provided by Mount Murray- Fiona) will pick you up and take you to the hotel
Accommodations: Mount Murray Hotel and Country Club
2 King suites Evan and Donnie
3 Four Poster suites Laurie, Shari and Michelle (Ann)

Wednesday, March 28th

11:00 AM **Depart:** IOM
Plane: 300WY
Passengers: Evan, Donnie, Laurie, Shari and Michelle
11:30 AM **Arrive:** Shannon, Ireland / Shannon
12:30 PM **Depart:** Shannon
12:48 PM **Arrive:** New York / JFK International
1:30 PM **Depart:** New York
Passengers: Evan, Donnie, Laurie and Shari
4:30 PM **Arrive:** Dallas / TXI

IMPORTANT INFORMATION	
Morris (pilot)	214-[redacted] Cell
Kim Elliot (attendant)	214-[redacted]
Pilots Hotel – Hilton Casino – Douglas	44-1624-682662
Penni Hall (flight coordinator)	888-[redacted] Pager
TXI	972-[redacted]
Gander International Airport	709-651-5000
IOM, Ronaldsway Airport – Shannon Ireland	011-44-[redacted]
General Aviation @ JFK	718-[redacted]
Alfred Duggan & Sons (transportation)	011-44-[redacted]
	011-44-[redacted] Fax
Mount Murray (Hotel)	011-44-1624-661111
	011-44-1624-611116 Fax
Danelle Clifton	972-[redacted] Home
	214-[redacted] Cell
Stacy Bryant	972-[redacted] Home
	214-[redacted] Cell
SAT PHONES:	
Laurie Matthews	011-44-[redacted]
Shari Robertson	011-44-[redacted]

C & S Aviation
8350 Denton Dr.
Dallas, Texas 75235
972.647.7303 fax 972.647.7302

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Tail No. N300WY

Flight Itinerary

Captain:	Cell #:	Co-Captain:	Cell #:	Flight Attendant:	Cell #:
MORRIS MCALLISTER	214[redacted]	MICHAEL POTEET	972[redacted]	KIM ELLIOTT	214[redacted]

LEG	1	2	3	4	5
DEPARTURE					
Day	SUNDAY	MONDAY	WEDNESDAY	WEDNESDAY	WEDNESDAY
Date	3.25.01	3.26.01	3.28.01	3.28.01	3.28.01
Local Time	10:00 PM	6:00 AM	11:00 AM	12:30 PM	3:30 PM
City	DALLAS	GANDER, NEW FOUNDLAND	ISLE OF MAN, UK	SHANNON, IRELAND	NEW YORK, NY
Airport	LOVE FIELD	GANDER INTL	RONALDSWAY	SHANNON	JFK INTERNATIONAL
FBO	TXI	IRVING AVIATION / 122.9	ISLAND AV & TRAV / 130.625	SRS AVIATION / 131.5	GENERAL AV / 122.95
Time in route ⓘ	4:30 / +2:30	3:36 / +3:30	:30 / 0	7:00 / -5	3:12 / -1
ARRIVAL					
Local Time	5:00 AM (MONDAY 3.26)	1:06 PM	11:30 AM	2:30 PM	5:42 PM
City	GANDER, NEW FOUNDLAND	ISLE OF MAN, UK	SHANNON, IRELAND	NEW YORK, NY	DALLAS
Airport	GANDER INTL	RONALDSWAY	SHANNON	JFK INTERNATIONAL	LOVE FIELD
FBO	IRVING AVIATION / 122.9	ISLAND AV & TRAV / 130.625	SRS AVIATION / 131.5	GENERAL AV / 122.95	TXI
Phone	709.651.5000	44.1624.824300	353.61.471544	718.244.4111	972.647.7300
Catering	KIM	KIM	KIM	KIM	KIM
Passenger Name: 1	EVAN WYLY	EVAN WYLY	EVAN WYLY	EVAN WYLY	EVAN WYLY
2	DONNIE MILLER	DONNIE MILLER	DONNIE MILLER	DONNIE MILLER	DONNIE MILLER
3	SHARI ROBERTSON	SHARI ROBERTSON	SHARI ROBERTSON	SHARI ROBERTSON	SHARI ROBERTSON
4	LAURIE MATTHEWS	LAURIE MATTHEWS	LAURIE MATTHEWS	LAURIE MATTHEWS	LAURIE MATTHEWS
5			MICHELLE BOUCHER	MICHELLE BOUCHER	
6					
7					
8					
9					
10					
11					
12					
Crew: Hotel	HILTON CASINO DOUGLAS				
Phone	44-1624-662662				
Reservation #	67662				
Pax Contact:					
Name	MARY COX	STACY BRYANT	STACY HUEBNER	PENNI HALL	
Phone #	214[redacted] / 214[redacted]	214[redacted] / 214[redacted]	214[redacted] / 214[redacted]	214[redacted] / 899[redacted]	
Pax Transportation					
Crew Transportation					
NOTES	SAT PHONES: LAURIE MATHEWS 771[redacted] SHARI ROBERTSON 771[redacted] THESE ARE UK PHONES- DIAL 011-44-PHONE # FROM US				

03/20/01 18:39 FAX → KEELEY 001/013

[redacted] = Redacted by the Permanent Subcommittee on Investigations

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

TO:	Sam Wyly Charles Wyly Evan Wyly Don Miller via Lesley Attenberger – please fwd to DM Laurie Matthews Shari Robertson Keeley Henrington	From:	Michelle Boucher
		Fax:	345-[redacted]
FAX:	1-214-[redacted]		
	1-214-[redacted]	Tel:	345-[redacted]
DATE:	March 20th, 2001		

We are transmitting 13 page(s). Please contact the undersigned if there is a problem with the transmission.

Please see attached relating to the March 25th, 2001 Isle of Man trip.

MB.

IOM MEEITNG ITINERARY

Monday, March 26th

7:00 PM Dinner plans to be determined.

Tuesday, March 27th

7:30 AM	Meet in lobby for meeting departure Alfred Duggan & Sons **Driver:** Norman Stephenson	
8:00 AM	**Meeting – Close Brothers Group** 29-31 Athol Street Douglas, Isle of Man 011-44-1624-643-200 011-44-1624-625-248	Mark Lewin, Trust Director Gary Hepburn, Trust Manager
9:30 AM	**Meeting – Inter-Continental Management** Prospect Chambers Prospect Hill Douglas, Isle of Man 011-44-1624-626-561 011-44-1624-628-580 fax	Colin Platten, Managing Director
11:00 AM	**Meeting – Trident Trust** 12-14 Finch Road Douglas, Isle of Man 011-44-1624-620-588 011-44-1624-646-700 fax	David Bester, Managing Director Francis Webb, Senior Manager
12:30 PM	**Lunch**	
2:30 PM	**Meeting – Aundyr Trust Company** IFG International International House Castle Hill, Victoria Road Douglas, Isle of Man 011-44-1624-630-600 011-44-1624-624-469 fax	David Harris, Managing Director Kathy Harding, Sr. Trust Mgr & Dir. Melanie Quayle, Sr. Trust Administrator
4:00 PM	**Meeting – Shari & Michelle with Shaun Cairns** drop everyone at hotel enroute	
7:15 PM	**Dinner with David Harris – Ciapelli's (Italian)**	

Wednesday, March 28th

7:30 AM	Meet in hotel lobby	
8:00 AM	**Meeting – Anglo Irish Bank** 69 Athol Street Douglas, Isle of Man 011-44-1624-614-982 011-44-1624-614-983	Andrew MacKellar, Accountant Stewart Davies, Chief Executive
9:00 AM	**Revisit selection for new trustee**	
10:30 AM	**Transfer to Airport**	

Confidential
SEC_ED00044939

Isle of Man
May 13, 2002

Keeley Michelle & Margot

	Monday, May 13	Tuesday, May 14	Wednesday, May 15	Thursday, May 16
7:30 AM 8:00 AM		*7:35 Arrive Gatwick*	8:15am pick up Sefton Hotel	*7:30 a car pickup to Gatwick* 8am car pick up Lanesborough
8:30 AM 9:00 AM		*8:55A depart Gatwick* *Manx 302* 9:15am arrive LHR transfer to Luton	8:30am Close Brothers Mark Lewin-Ian Bancroft	
10:00 AM 10:30 AM		*10:10a Arrive IOM* Pickup & transfer to Sefton	10:00am Trident Trust David Bester-Francis Webb	*10:20am depart for Gatwick* *AA 51*
11:00 AM			11:30am IFG International	10:55am depart LHR AA Flt 57
12:00 PM 12:00 PM		12:30pm depart Luton	David Harris-Kathy Harding Anna Benbatoul	
1:00 PM 1:30 PM	1:00 pm depart GCM AA Flt 1030	1:30pm arrive IOM Pickup & transfer to Sefton	working lunch at their offices	
2:00 PM 2:20 PM	2:30pm Pickup at home Carey cont. #28EFS		2:30pm Inter-Continental	*2:25p Arrive DFW* *Pickup - Carey conf. #28EFA*
3:00 PM 3:30 PM	3:33pm arrive MIA		Colin Platten-Mark Byrne Andy Wallis	3:25pm arrive MIA
4:00 PM 4:30 PM	*4:35 depart DFW* *AA 78*		4:15pm transfer to airport	
5:00 PM			5:45pm depart IOM	
6:00 PM			Keeley, Michelle & Margot	
7:00 PM	7:30pm depart MIA AA Flt 56		6:55 arrive LGW Pickup & transfer to Lanesbourough	7:10pm depart MIA AA Flt 1743 7:37pm arrives GCM
8:30 PM			8:45p Dinner at Mr. Chow's Reservation under Hennignton	

Sefton Hotel 44 1651 645 500 Phone
44 1624 616 004 Fax

Lanesbourough 44 20 7259.5599 Phone
44.20.7259.5606 Fax

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

AGENDA
MEETING WITH TRUSTEES

CLOSE BROTHERS

8:30pm Wednesday May 15, 2002

- Mark Lewin

1.0	Status of transfer of Red Mountain Trust	
2.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlers • Discuss transfer of existing trust forms	
3.0	Update of Close Brothers group activities, including a review of staff allocations to Red Mountain Trust	
4.0	Investment Update • YTD & MTD Returns for Maverick & Levered • ITC requirements re: IOM investments in Funds • FDI/FDV update – underlying investment status • Update on Michaels, CA, Greenmountain • Other investments	
5.0	Management of liquid assets • Consolidation (FDI) • MFS / Nationsbank proposals from BOA	
6.0	Protector Company – status update	
7.0	Irish Trust staff update	
8.0	Ebankline at Bank of Bermuda	

Updated: May 3, 2002

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AGENDA
MEETING WITH TRUSTEES

ICM

2:30pm Wednesday May 15, 2002

- Colin Platten
- Andy Wallis

ICM		
1.0	Investment Update • YTD & MTD Returns for Maverick & Ranger • Discuss Ranger Partners & Ranger Capital activity including Newcastle & Light Green Advisors • Greenmountain, Michaels, CA, Red River	
2.0	Cash management • - upcoming requirements review	
3.0	Plans for trust entity accounting	
4.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
5.0	IOM Audit Update • PWC company review/verification procedures • Plan for 2001 reports	
6.0	Protector Company – status update	
7.0	Irish Trust staff update	
8.0	Ebankline at Bank of Bermuda	
9.0	Opportunities?	
10.0	General IOM update – what's new?	

Updated: May 3, 2002

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AGENDA
MEETING WITH TRUSTEES

IFG

12Noon Wednesday May 15, 2002

- David Harris
- Kathy Harding
- Anna Benbatoul

IFG		
1.0	Investment Update • YTD & MTD Returns for Maverick, Levered, & Ranger • Discuss Ranger Partners & Ranger Capital activity including Newcastle & Light Green Advisors • Greenmountain, Michaels, CA, SCT • Other investments (Brazos, Red River, Precept, K12)	

2.0	Real Estate
	• Construction update
	  • 2 Mile Ranch
	  • Cottonwood I & II
	  • Mi Casa
	• Anticipated cash requirements
	• walk through payment and accounting procedures, including domestic reports and tie outs to foreign system	

3.0	Cayman LLC's • discuss minutes • security capital loan documentation • walk through accounting procedures, esp. TMR tie outs and rebalancing • repayment of intercompany advances • segregation of Bessie Trust initial funding from intercompany to loan portfolio items • discuss generally the loan structure & interest	
4.0	Greenmountain stock transfers to LLC's	
5.0	Scottish Annuity & Life Holdings – warrant registration	
6.0	Intelecon Update	

Updated: May 3, 2002

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7.0	Global Audio Update (in liquidation)	
8.0	Irish Holdings Share Transfer	
9.0	Scottish Holdings liquidation	
10.0	Security Capital $15M loan from Jan 2002	
11.0	Other investment opportunities?	
12.0	Hot Issue Eligibility – Ranger & Levered	
13.0	Audubon – Curator agreement & collectibles, art & jewelry update	
14.0	Cash management • - upcoming requirements review	
15.0	Private annuity payments commencing 2004 • repayment options • cash flow	
16.0	Plans for trust entity accounting	
17.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
18.0	IOM Audit Update • PWC company review/verification procedures • Plan for 2001 reports	
19.0	Protector Company – status update	
20.0	Irish Trust staff update	
21.0	Ebankline at Bank of Bermuda	
22.0	Ginger Trust letter of wishes received?	
23.0	Lynchburg protector resignation obtained?	
24.0	General IOM update – what's new?	

Updated. May 3, 2002

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AGENDA
MEETING WITH TRUSTEES

TRIDENT TRUST

10:00 am Wednesday May 15, 2002

- David Bester
- Francis Webb
- Annsley Plowman

Trident Trust		
1.0	Investment Update • YTD & MTD Returns for Maverick & Levered • FDI/FDV update – underlying investment status • Update on Michaels, CA, SCT, Greenmountain • Other investments	
2.0	Stargate Sport Horses update	
3.0	Lambda properties update – future trans/cash needs	
4.0	Management of liquid assets • Consolidation (FDI) • MFS / Nationsbank proposals from BOA	
5.0	Private annuity payments commencing 2003 • repayment options • cash flow	
6.0	CW 'Sub Funds' • Tyler Trust • Cayman LLC's • Selection of directors and shareholders • outline asset transfers and security capital loan transactions • Stargate horse farm carve out, future real estate transactions	
7.0	Scottish Annuity & Life Holdings – Warrant Registration	
8.0	Irish Holdings share transfer status	
9.0	Scottish Holdings liquidation	
10.0	Other opportunities?	
11.0	Collectibles, art & jewelry inventory & possession agreements	

Updated: May 3, 2002

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5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

12.0	Trust entity accounting • Pitkin – walk through accounting • Tyler	
13.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
14.0	IOM Company Audit Update • KPMG company review/ verification procedures • Plan for 2001 reports	
15.0	Discuss transfer of Red Mountain to Close Trustees	
16.0	Protector Company – status update	
17.0	Irish Trust staff update	
18.0	Ebankline at Bank of Bermuda	
19.0	General IOM update – what's new?	

Isle of Mann March 16-19, 2003

Kelley **Michelle**

Sunday March 16, 2003	Monday March 17, 2003	Tuesday March 18, 2003	Wednesday March 19, 2003	
8am	7:50am KH arrives Gatwick Transfer to Lanesborough	8:00am Close Trustees Breakfast Mark Lewin, Michael Nolan & Jane Carty	7:30am Transfer to Gatwick 8:15am Transfer to Gatwick	
9am	9:30am MB arrives Heathrow			
10am	Transfer to Lanesborough	10:00am Trident Trust-David Bester, Francis Webb & Ansley Ploughman	10:15am KH departs Gatwick 10:35am MB departs Heathrow	
11am		11:30pm Inter-Continental (lunch)		
12pm		Colin Platten & Mark Byrne		
1pm	1:00 Transfer to Morgan Lewis	1:30pm IFG International-David Harris		
2pm	Morgan Lewis- Chuck Lubar	Anna Benbatoul	2:30 KH arrives DFW	
3pm			3:20pm MB arrives Miami	
4pm 4:10pm MB depart Cayman	4:30pm Transfer to City airport	Transfer to Airport		
5pm 5:00pm KH departs DFW 5:43pm MB arrives Miami		5:55pm Depart IOM	Departs Miami on Friday 7:05pm AA#1743 Arrives Grand Cayman 8:31pm	
6pm				
7pm	7:05pm Deprart London City	7:10pm Arrive London City Transfer to Lanesborough		
8pm 7:55pm MB departs Miami	8:20pm Arrive IOM			
9pm	Transfer to Sefton	8:30pm Dinner at Mr. Chows		

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

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PSI_ED00011813

Keeley Hennington
Isle of Mann/London March 16, 2003

Sunday, March 16

3:00pm Carey Town Car 972-931-8888
Confirmation 387E4

5:00pm Depart Dallas AA #50 (flying time 8:50)
Record Locator: JXOLIV

Monday, March 17 +6:00 hrs. CST

7:50am Arrive London Gatwick
Transfer to Lanesborough

Lanesborough Hotel
Reservation number LB-102694
Deluxe single
44 207 2595599 Phone 44 207 2595606 Fax

1:00pm Transfer to Morgan Lewis offices, then airport

2:00pm Meeting at Morgan Lewis
Charles (Chuck) Labur
2 Gresham Street
London, EC2V 7PE
0207.710.5500 Local Phone Number
0207.710.5600 Local Fax Number

Transfer to City Airport

7:05pm Depart London City Airport

8:20pm Arrive Douglas IOM

Transfer to the Sefton

Sefton Hotel
Harris Promenade
Douglas IM1 2RW
44 1624 626011 Phone 44 1624 676004 Fax

Reservations confirmed with Paul

Confidential
SEC_ED00013743

Tuesday, March 18 +6:00 hrs. CST

8:00am	Breakfast meeting with Close Trustees Mark Lewin, Michael Nolan & Jane Carty
10:30am	Meeting with Trident Trust David Bester, Francis Webb & Ansley Ploughman
11:30am	Lunch meeting with Inter-Continental Colin Platten & Mark Byrne
2:30pm	Meeting with IFG International David Harris & Anna Benbatoul
4:00pm	Transfer to Airport
5:55pm	Depart IOM British European #116
7:10pm	Arrive London City Airport
	Transfer to Lanesborough
	Lanesborough Hotel Reservation number LB-104686 Deluxe Single 44 207 2595599 Phone 44 207 2595606 Fax
8:30pm	Dinner at Mr. Chows

Wednesday, March 19

7:30am	Transfer to Gatwick
10:15am	Depart London Gatwick AA #51 (flying time 10:15)
2:30pm	Arrive DFW
	Carey Town Car 972-931-8888 Confirmation 387E5

Confidential
SEC_ED00013744

TENTATIVE SCHEDULE

Michelle Boucher & Charles Pulman & Margot MacInnis
Isle of Man

July 5, 2004

Monday, July 5

Michelle Boucher & Charles Pulman (Margot same itinerary but on July6th)

1:35PM Depart Grand Cayman
4:05PM Arrive Miami
8:10pm Depart Miami
July 6th
9:55am Arrive London – Heathrow
10:00PM Transfer to Luton [To be confirmed]
12:30PM Depart Luton

Tuesday, July 6 +7:00 hrs. CST

1:35pm Arrive Isle of Man
Michelle has rented a car [Eurocar – Wagon]

Sefton Hotel [confirmed]
Harris Promenade
Douglas IM1 2RW
Phone 44 1624 645 500 Fax 44 1624 676 004

3:30PM Meeting with Paul Dougherty
Dougherty & Associates
Atlantic House
4-8 Circular Road
Douglas Isle of Man IM1 1AG
Tel: +44 (1624) 671155
Fax: +44 (1624) 610414
E Mail paul@doughertyassociates.com

Wednesday, July 7 +7:00 hrs. CST

CLOSE – not an exact time

9:30AM Meeting with Trident Trust
David Bester, Francis Webb & Annsley Ploughman
011-44-1624-646-700 Phone

12:00 Lunch: TBD

1:30PM Meeting with Paul Dougherty

1:35PM Margot arrives in Isle of Man
Transfer to hotel, then IFG [confirmed with John]

3:30PM Meeting with IFG
David Harris & Anna Benbatoul
011-44-1624-630-600 Phone

Paul Dougherty available to go to IFG in PM

7:00pm Dinner – TBD (w/wout IFG)

TENTATIVE SCHEDULE

Thursday, July 8	+7:00 hrs. CST
	CLOSE not available today
9:30AM	Meeting with Trident Trust David Bester, Francis Webb & Annsley Ploughman 011-44-1624-646-700 Phone
	Paul Dougherty available in the AM
12:30pm	Lunch with Intercontinental Andy Wallis, Colin Platten, Mark Byrne 011-44-1624-626-561 Phone
	Restaurant: (TBD)
2:30pm	**OPEN:** [Meeting with IFG or Trident]
7:00pm	DINNER/Drinks with S. Cairns

Friday, July 9	+7:00 hrs. CST
	IOM & TRIDENT not available CLOSE only available today
9:30AM	**OPEN** (available for meetings)
12:00	Lunch with Close Bank Mark Lewin, Michael Nolan, Jane Carty
	Restaurant (TBD)
2:00PM	Alternate Departure Douglas for IOM airport Isle of Man to London City on FLYBE Alternate Landing 3:15pm
4:00PM	Depart Douglas for IOM airport
5:20PM 7:10PM	Depart IOM Flybe #115 Arrive London City Airport Transfer to Lanesborough (To be confirmed) Lanesborough Hotel Phone 44 207 259 5599 Fax 44 207 259 5606
8:30PM	Reservation at Mr. Chows (to be confirmed)

TENTATIVE SCHEDULE

Saturday, July 10

8:00AM	Transfer to Heathrow by Lanesborough (to be confirmed)
10:20AM	American Airlines Flt # 57 Business Class, Multiple Meals 10Hr 1Min Flying time Boucher/Pulman/MacInnis
2:50PM	Arrive Miami Airport
4:25PM	Depart Miami – Pulman
6:25PM	Arrive Dallas
7:25PM	Depart Dallas
8:22PM	Arrive Austin
5:05PM	Depart Grand Cayman- Boucher/MacInnis
5:34PM	Arrive Grand Cayman

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Evan Wyly
01/04/2000 02:17 PM

To: Shari Robertson/Maverick@[redacted]
cc: mboucher@[redacted] Sam_Wyly@[redacted] Stacy Bryant
Subject: David Harris Meeting

Shari: Sam and I would like to meet with David Harris re: Michaels & Green Mountain when he is in Dallas next week on Thurs. or Fri.

Michelle: Sam would like us to have balance sheets for the IFG accounts and for the total trustee accounts.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michael C. French, Esq.,
Jackson & Walker L.L.P.,
[redacted]
Dallas,
Texas [redacted].

October 12th, 1992.

Photomatrix Corporation

Sharyl Robertson faxed the Committee of Protectors recommendation that the **Bulldog** and **Pitkin** trusts should buy shares in the above corporation on Friday, after our working hours. She also said that she would be out of her office all this week.

While we have the greatest admiration for the Protectors' advice, an additional burden of responsibility is thrown upon us when the suggestion is made that we should buy securities from the Settlors. We cannot find that a market quotation for **Photomatrix.** While we do not wish to suggest that 12 cents is a wrong price, we do need something for our records to show that it was a fair one.

We would also like to know the registered address of **Photomatrix,** in case - having bought stock - we do not receive information to which we would be entitled as shareholders.

Trusting that this information can be supplied, you should know that the **Pitkin Trust** would wish to purchase through **Roaring Creek Limited** while the **Bulldog Trust** would use **Tensas Limited.** Payment would come via Chemical Bank in New York.

Changing subject, I shall be in Dallas on the night of Thursday, October 29th, and would be happy to devote all the next, Friday, morning to Messrs. Charles and Sam Wyly's affairs. I fly out at lunch time.

R. Buchanan.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

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PSI00128344

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From: Keeley Hennington
Sent: Wednesday, July 16, 2003 3:51 PM
To: "Michelle Boucher" <mboucher@[redacted]
Subject: Re: Trident Trust visit/Capricorn Fund presentation

I hope the answer is no so I don't have to sit through it

"Michelle Boucher" <mboucher@[redacted]
07/16/03 04:30 PM

Please respond to
"Michelle Boucher" <mboucher@[redacted]

To
<donmiller[redacted], <evan_wyly@[redacted]
cc
<khennington@[redacted]
Subject
Trident Trust visit/Capricorn Fund presentation

Francis Webb has advised that David Bester will be in Dallas during the week of August 18th and specifically has time available on August 20th or 21st.

Trident currently only acts for CW oriented trusts but David is travelling with Kit Meredith, a representative of the Capricorn Funds. The Capricorn funds are Trident managed investment products. I believe they offer a few styles of management and they are typically managed as Fund of Funds.

Please let me know if:

a) Donnie & Charles have interest in seeing David from a Trust update perspective, and
b) if anyone has an interest in hearing the Capricorn presentation. I believe it would take about an hour.

FYI, at Trident's request I am also passing the invitation to hear the presentation along

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 544

to Robert Chambers and Shari Robertson as representatives of Ranger and Maverick. If you can think of anyone else that may be interested in seeing it, please let me know as they welcome opportunity to tell their story.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, October 02, 2002 3:32 PM
To: dmiller@[redacted]
Subject: Close Trustees

Mark Lewin with Close Brothers will be in next Thursday the 10th at 4:30 to meet with Charles and I - are you available? They handle the Red Mountain Trust.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Keeley Hennington@[redacted]
11/16/2000 06:05 AM

To: Shari Robertson/Maverick@[redacted]
cc:
Subject: Re: Inter-Continental

I have talked to Michelle and she said yes - I will contact Colin. Thanks

---

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful

---

Shari Robertson@[redacted]

Shari Robertson@[redacted]
11/16/00 06:41 AM

To: Keeley Hennington[redacted]
cc:
Subject: Inter-Continental

Talk with Michelle about this potential trustee and determine whether you and family members should meet with him. Will you please respond to Colin?

****

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****

- Forwarded by Shari Robertson/Maverick on 11/16/00 06:35 AM -

"Colin Platten" <colin_platten@[redacted]
11/16/00 04:35 AM

To: Shari Robertson/Maverick@[redacted]
cc:
Subject: Inter-Continental

I was wondreing if you had had time to deal with my e-mail of the 8th. I hope that we will have the opportunity of meeting on the 26th Jan and I can now advise that the meeting I have arranged in Dallas is to take place at 3:00p:m so if possible a morning meeting with yourself would be better for me.
Regards
Colin Platten

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 545

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, May 13, 2004 11:28 AM
To: "Michelle Boucher" <mboucher@[redacted]
Subject: Re: did you see Mark Byrne this morning?

Yes - short meeting with Evan and Sam. Just updated him on everything and then he left to go see Pulman

"Michelle Boucher" <mboucher[redacted]
05/13/04 12:43 PM

To
<khennington@[redacted]
cc

Subject
did you see Mark Byrne this morning?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, May 05, 2004 10:02 AM
To: "Mark Byrne" <mb@[redacted]
Subject: RE: Visit to Dallas

10:00 am will be great - do you need any directions? If not we will just see you at 10. For now it will be Evan Wyly and myself - I am checking on Sam.

"Mark Byrne" <mb[redacted]
05/04/04 10:44 AM

To
<khennington[redacted]
cc

Subject
RE: Visit to Dallas

Dear Keeley

Thanks for your reply - I am glad that we can meet. How about 10am?

I look forward to hearing from you.

Best wishes.

Mark H Byrne

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 545

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SEC_ED00014352

= Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, October 08, 2002 7:40 AM
To: scanon@[redacted]
Subject: Friday meeting

I have had Karen put a meeting on your calendar for around 10:30 this Friday. It is to meet and spend a few minutes with Mark Byrne and Andy Wallis with Intercontinental Management. ICM is a trustee from Isle of Man who would holds Ranger as an investement and would like to get an update on everything Ranger is doing. I think a walk-thru of the flowchart like you did with Michelle and I would be great. Let me know if you have any questions.

Thanks

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Friday, September 27, 2002 1:20 PM
To: evan_wyly@[redacted]
Subject: Re: Dallas Maverick Meeting

These are the guys that handle LaFourche Trust (Devotion). Would you be interested in trying to set up something with them Friday morning the 11th.
I can check Sam's schedule also.

----- Forwarded by Keeley Hennington/[redacted] on 09/27/02 02:21 PM -----

"Andy Wallis" <andy_wallis@[redacted]
09/27/02 04:32 AM

To: <khennington@[redacted]
cc:
Subject: Re: Dallas Maverick Meeting

Hi Keeley

How are you? - I hope you are well.

Mark and I ARE coming to Dallas. Our travel details are:

Wednesday 9 October

06:55 IOM LGW 08:10
10:30 LGW DFW 14:30

Sunday 13 October

16:30 DFW LGW 07:35 (14 Oct)

We are hoping to meet Michelle Crittenden of Banc of America Securities on Saturday 12th but have made no firm plans as we would love to meet some of the family and will try and fit in with their plans.

Are you able to suggest some times and dates?

Best wishes

Andy

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 545

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Friday, September 27, 2002 3:11 PM
To: "Andy Wallis" <andy_wallis@[redacted]>
Subject: Re: Dallas Maverick Meeting

Could you meet with Sam Wyly, Evan Wyly and I the morning of the 11th - say 9:00 or 9:30?

"Andy Wallis" <andy_wallis[redacted]>
09/27/02 04:32 AM

To: <khennington[redacted]>
cc:
Subject: Re: Dallas Maverick Meeting

Hi Keeley

How are you? - I hope you are well.

Mark and I ARE coming to Dallas. Our travel details are:

Wednesday 9 October

06:55 IOM LGW 08:10
10:30 LGW DFW 14:30

Sunday 13 October

16:30 DFW LGW 07:35 (14 Oct)

We are hoping to meet Michelle Crittenden of Banc of America Securities on Saturday 12th but have made no firm plans as we would love to meet some of the family and will try and fit in with their plans.

Are you able to suggest some times and dates?

Best wishes

Andy

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SEC_ED00013334

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 545

PSI_ED00013334

Andy Wallis, Account Manager
Inter-Continental Management Ltd
Prospect Chambers, Prospect Hill, Douglas, Isle of Man, IM1 1ET, United Kingdom

Phone: +44 (0) 1624 626561
Fax:: +44 (0) 1624 628580
Email: andy@inter-continental.co.im

'Licensed by the Isle of Man Financial
Supervision Commission as a Corporate
Service Provider'

_/

>>> <khennington@htst.com> 09/26/02 08:51pm >>>
Andy - Michelle mentioned to me that you might be in Dallas to attend the Maverick meeting in October. If so, I would very much like to get together and try to set up a meeting with some of the family members. Could you please let me know your travel schedule.
Thanks

Keeley

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michelle Boucher
<mboucher@[redacted]
11/04/1999 01:32 PM

To: Shari Robertson/Maverick[redacted]
cc:
Subject: items for trustees

Trident:
- I have received the tax exempt certificates for the Trident entities
La Fourche Trust
-possible sale of Woody Creek Ranch Limited to Bessie Trust for a note with Woody Creek Ranch Limited shares as collateral (interest rate ?)
- Francis has not yet seen any original Trust documents for execution regarding the Woody Creek Ranch Management Trust (he may ask about them - I've emailed Elaine today asking her to follow up on this)
Tyler Trust
- acquisition of CW family properties through Tyler Trust, via loans from Elegance (Trident) and Quayle (Northern Bank)
- long term strategy
- long term cash flow management

IFG
Bessie Trust
- acquisition of Woody Creek Ranch Limited from La Fourche using a note
- ongoing cash requirements for the property - construction plans ($3M) and annual mtce costs
- future property acquisitions
- cash management

Moberly Limited
- status of receiving legal opinion from Simcocks for the SSW transaction
- possible sale or redemption of FUND to raise cash for liquidity

Castle Creek
- loan of money to Tyler Trust (Trident) to acquire CW properties

Other items FYI:
- Trident has a query on Edinburgh Depreciation Deposit adjustments made earlier this year - I have not responded yet - Francis & I discussed this last week (I know it's outstanding if they bring it up with you).

- Trust reporting. We are posted through 9/30, but I have not given a thorough review, and I am aware of a few problems on some small items - so I'm not happy to release them yet. I have told the various trustees that I hope to have these for them by the end of next week - but I think some of them (Francis, in particular :)) was anxious about not having them going into your meeting next week. I told him I doubted that you and Mike would want to discuss and detailed accounting related matters, and he shouldn't worry.

- Overall, I think that cash flow is the biggest issue right now. I also get the feeling from IFG (which I think you do too) that they've agreed to be fairly aggressive lately and are feeling somewhat anxious about it. I think they'll need some reassurance possibly some pacifying. Ken seemed to be particularly miffed about Lehmans not following through with the notices on the collateral movement last weekend. I think he felt they agreed to the movement of the collateral in good faith, on the condition that they received the notice over the weekend and then didn't get it. (I may be making a bigger issue of this than needs to be, but Ken did sound a little funny, which really

MEMORANDUM

To: **Sam, Evan**

Charles, Don

From: **Shari**

Date: **05/12/00**

Subject: **Isle of Man Trip**

The following is a recap of the IOM trip. If you'd like to discuss any of this let me know.

1) Jurisdictional Issues:

A) IOM corporations will become regulated as of 12/31/00. This is in the form of the party that formed the corporation making a statement to the regulators that the corporation has books and records. This change allows the IOM regulators an opportunity to make inspections.

B) South Africa is now charging a dividend tax on all monies repatriated. The S.A. community no longer will get a benefit through an IOM Trust. There is concern that a lot of the S.A. money will leave IOM because there is no tax savings. There may be some shrinkage of trustees because of this loss of business. A reminder that Trident is SA based.

C) Seems to be concern expressed by the trustees that within a matter of years that there will be further regulation, which might required submission of audited financials and access to trust documents. Bester's (Trident) solution was to hire a "lawyer" custodian to hold the trust deeds, which disclose beneficial ownership. The lawyer would be instructed by the protectors and the trustee not to release the trust deeds to anyone without joint consent. This would slow the process of delivery of the trust deeds down, giving the ability to flee the jurisdiction if it was deemed necessary.

2) Trust remediation steps to be taken at Trident regarding the 1995 trusts (La Fourche & Red Mountain):

A) Add Sean Cairns as a beneficiary as soon as possible,

B) Determine the accumulated income as soon as A) is complete.

C) Determine with Owens whether the income earned on the accumulated income is tainted. (Shari & Michelle to follow-up.)

D) If the income is tainted, form new corporations and transfer the assets from the original trust to the new trusts in exchange for a low interest-bearing note.

3) Trust remediation steps to be taken at IFG & Northern regarding 1992 and 1993 trusts:
   A) Merge 1992 trusts (Bulldog & Pitkin) into Bulldog II and Pitkin II to clean up perpetuity issues. This will be done with a short document already prepared by Fullerlove which Mike has reviewed and approved.
   B) Merge 1993 trusts (Delhi, Lake Providence and Castlecreek) into Bulldog II and Pitkin II. This is being done to minimize the number of trusts for future planning of dividing the existing trusts into sub-trusts.
   C) Restate Bulldog II and Pitkin II to be a complete trust deed on its own without referring back to prior trust deeds.
   D) Fullerlove and Harris have been instructed to move forward on A-C.
4) Other trust issues:
   A) Division of existing trusts to a specifically named beneficiary can be accomplished through sub-funds that are revocable or sub-trusts that are irrevocable. Trustees awaiting instructions before moving forward on this project.
   B) Trustees have been informed to plan cash to exercise all Michaels stock options prior to maturity date. Trustees awaiting selling instructions on what to do with stock that is not exercised and sold prior to maturity date.
   C) Discussed possibility of the trusts purchasing life insurance policies with the trustees. They
   Are awaiting recommendations before proceeding. Mike and Owns need to coordinate to bring this project forward.
   D) Informed trustees of valuation issues on annuities that were amended and extended previously. Michelle has already requested these valuations from Milliam & Shari. It is expected that the valuations will increase the annuity payable outstanding for the trusts.
   E) Interviews were held with prospective trustees that might be needed in the future. The following trustees were interviewed and are ranked in the order in which *I recommend they be used.* It would be good to get Mike and Michelle's opinion independent of mine. A number of these people are known by Don Beacock (former MeesPierson) and should check with him for references.
      1) Close Bank (recommended by David Harris)
      Met with Ian Bancroft, Managing Director
      Marcus _____ senior to Ian was off island and did not have an opportunity to meet
      This was our first visit to this organization. It appeared to me that this trust company was a good fit to the business needs required by the family. Close was recently acquired from Rhea Bros. It is a public company listed on the Irish Stock Exchange (160th largest). Market cap of $2 billion. Services available are: investment management, banking and trust services. There are 10 persons in the trust department. The firm is responsible for over 400 trusts and companies ranging in size from $750,000 to $50 million. The average size is $2.5 – 4 million. Fees are a fixed responsibility fee and time (negotiable). No U.S. operations.
      2) Caledonia
      Met with David Burgess
      The Walker family (the other large law firm on the island) originally formed this company in the Caymans. This was our second visit. I really like David's approach and think he would work well with the family. He was the one who told us about the SA change. They've been on the IOM a short time and the business doesn't seem to

be growing quickly. Mike has expressed concern whether they will continue with the IOM operations. In discussions with Michelle later she feels that this trust company will continue on the IOM because of the Cayman requirements. Michelle is going to get with David when he's next in the Caymans. I have a good feeling about working with Caledonia and believe we should continue to visit and get acquainted.

3) Intercontinental (former Mees Pierson employee works there)
Met with Collin Platten, Director and Andy Wallis, Accountant (MP)
Platten started this company in conjunction with a Canadian family. Collin now owns the company independent from this family. Collin was personable and direct. This a small company with offices in IOM and London. IOM staff is 10 and there are 3 in London. His current client mix seems to lean toward the marine industry. He does not advertise for business and only takes clients from referrals. Fee structure is negotiable. The firm has 500+ accounts with 150 of the being trust structures. He is concerned about using leverage if they were minor beneficiaries. There are no minor beneficiaries. Platten was the one who made as aware of the new corporate reporting requirements. He travels to the U.S. twice a year and would be available to stop in Dallas. His business is predominantly marine (boats and yachts), trading (purchased from MeesPierson) and time share ledger management.

4) Anglo Irish
Enda Connolly, Offshore Trust Director and Any MacKellar, Accountant (former MeesPierson)
This is a public company with tremendous growth since the acquisition from MeesPierson. This was our first visit. I personally had a problem with Enda because he talked predominantly to Mike and ignored Michelle and myself, though every once in while he realized what he was doing and included us. Michelle didn't sense this as strongly as I did, but I was seated furthest from Mike. This could make for a difficult situation for the women in the Wyly family to deal with. He had a very smooth almost at times cutesy sales pitch. Having said this, I think it is worth a 2nd visit in case I read it wrong. (It was our last visit after 2 full days.)

F) Annuities:
1) Preliminary discussions with the trustees regarding the possibility of prepayment at a discount.
2) Michelle is to continue with analysis: cash flow requirements, early payment of taxes vs a Maverick ROR.
3) Michelle to ask Milliam and Shari to suggest a discount for prepayment.

G) Protector Company
1) Confirmed with Fullerlove that the trust deeds allow for one protector
2) Confirmed with Fullerlove that the protector can be a company as well as an individual.
3) Mike, Michelle and Shari need to continue work with Owens regarding structure. Need to develop a timeline for completion.

H) Audits:
1) Discussion were held with trustees recommending that audits be done on a going forward basis. The trustees and the protectors will define audit scope. It will most likely include an audit of income and expenditures and verification of assets. This will be done at the corporation level and consolidated at the trust level. It will not be

a full audit, as trust deeds should not be provided to the auditors. Some discussion was held whether a different auditor should be obtained for each trust. More thought needs to be put into this.

2) Why audits now? If Michelle becomes a member of the Protector Company the family has lost their independent 3rd party verification. In addition to this, the sheer size and lack of the family's day to day involvement in addition to Michelle's status change makes audits mandatory in my opinion going forward. I keep trying to do 100-year planning and this is a step that is necessary. Harris estimated $1000 pounds per entity. Each trustee is to provide a recommended audit scope in the near future. The protectors need input from the beneficiaries regarding this change and additional cost.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher " <mboucher@[redacted]>
10/03/2000 11:03 AM

To: davidh@[redacted] KathyH@[redacted] KennethJ@[redacted]
cc: Shari Robertson/Maverick@[redacted] Mike French/[redacted]
Subject: geneva meeting agenda

These are some items we hope to discuss at the geneva meeting, please advise regarding other items/issue you have for the list

- status of trust documentation
- status of protector company formation
- status of creation of sub-funds or sub-trusts
- SW family real estate projects (Two Mile Ranch/Cottonwood Capital)
- CW family real estate projects
- Chapparal Ventures update
- Intelecon update
- Ranger Group
- Precept Fund/Mgmt
- Greenmountain update
- Art/collectibles update

 - att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 546

Meeting with Trident Trust
David Bester & Francis Webb
Monday, November 6th, 2000 3:00pm
Agenda Items

1. Status of Trust Documentation
   - have all documents been executed – anything outstanding?

2. Potential Creation of sub-funds (CW Family under Tyler Trust – still in planning phase)
   - outline proposed structure & number of sub-funds
   - suggested documentation
   - discuss possible lending of assets/funds across trusts (will likely be across Trustee too)

3. Discuss planning for use of variable life policies, including split dollar arrangements across trusts

4. Status of protector company formation and discussion of parties to be involved

5. Audits of IOM companies

6. Planned CW real estate transactions
   - Little Woody Creek Road
   - Jourdan Way
   - Sport Horses Venture
   - Possible additional development in Aspen (12-18 mths out)

7. Investment update
   - Ranger Group
   - Precept
   - First Dallas International
   - Red River Ventures
   - Greenmountain
   - Art/Collectibles
   - Chapparal
   - Michaels
   - Computer Associates
   - Scottish Annuity & Life Holdings

8. Review of trustee fees

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

AGENDA
MEETING WITH TRUSTEES

CLOSE BROTHERS
8:30pm Wednesday May 15, 2002

- Mark Lewin

1.0	Status of transfer of Red Mountain Trust	
2.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlers • Discuss transfer of existing trust forms	
3.0	Update of Close Brothers group activities, including a review of staff allocations to Red Mountain Trust	
4.0	Investment Update • YTD & MTD Returns for Maverick & Levered • ITC requirements re: IOM investments in Funds • FDI/FDV update – underlying investment status • Update on Michaels, CA, Greenmountain • Other investments	
5.0	Management of liquid assets • Consolidation (FDI) • MFS / Nationsbank proposals from BOA	
6.0	Protector Company – status update	
7.0	Irish Trust staff update	
8.0	Ebankline at Bank of Bermuda	

Updated: May 3, 2002

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

AGENDA
MEETING WITH TRUSTEES

ICM

2:30pm Wednesday May 15, 2002

- Colin Platten
- Andy Wallis

ICM		
1.0	Investment Update • YTD & MTD Returns for Maverick & Ranger • Discuss Ranger Partners & Ranger Capital activity including Newcastle & Light Green Advisors • Greenmountain, Michaels, CA, Red River	
2.0	Cash management • - upcoming requirements review	
3.0	Plans for trust entity accounting	
4.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
5.0	IOM Audit Update • PWC company review/verification procedures • Plan for 2001 reports	
6.0	Protector Company – status update	
7.0	Irish Trust staff update	
8.0	Ebankline at Bank of Bermuda	
9.0	Opportunities?	
10.0	General IOM update – what's new?	

Updated: May 3, 2002

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5th Floor, Harbour Place
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AGENDA
MEETING WITH TRUSTEES

IFG
12Noon Wednesday May 15, 2002

- David Harris
- Kathy Harding
- Anna Benbatoul

IFG		
1.0	Investment Update • YTD & MTD Returns for Maverick, Levered, & Ranger • Discuss Ranger Partners & Ranger Capital activity including Newcastle & Light Green Advisors • Greenmountain, Michaels, CA, SCT • Other investments (Brazos, Red River, Precept, K12)	

2.0	Real Estate
	• Construction update
	  • 2 Mile Ranch
	  • Cottonwood I & II
	  • Mi Casa
	• Anticipated cash requirements
	• walk through payment and accounting procedures, including domestic reports and tie outs to foreign system	

3.0	Cayman LLC's • discuss minutes • security capital loan documentation • walk through accounting procedures, esp. TMR tie outs and rebalancing • repayment of intercompany advances • segregation of Bessie Trust initial funding from intercompany to loan portfolio items • discuss generally the loan structure & interest	
4.0	Greenmountain stock transfers to LLC's	
5.0	Scottish Annuity & Life Holdings – warrant registration	
6.0	Intelecon Update	

Updated: May 3, 2002

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7.0	Global Audio Update (in liquidation)	
8.0	Irish Holdings Share Transfer	
9.0	Scottish Holdings liquidation	
10.0	Security Capital $15M loan from Jan 2002	
11.0	Other investment opportunities?	
12.0	Hot Issue Eligibility – Ranger & Levered	
13.0	Audubon – Curator agreement & collectibles, art & jewelry update	
14.0	Cash management • - upcoming requirements review	
15.0	Private annuity payments commencing 2004 • repayment options • cash flow	
16.0	Plans for trust entity accounting	
17.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
18.0	IOM Audit Update • PWC company review/verification procedures • Plan for 2001 reports	
19.0	Protector Company – status update	
20.0	Irish Trust staff update	
21.0	Ebankline at Bank of Bermuda	
22.0	Ginger Trust letter of wishes received?	
23.0	Lynchburg protector resignation obtained?	
24.0	General IOM update – what's new?	

Updated: May 3, 2002

The Irish Trust Company (Cayman) Ltd.

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Fax:(345) 949-2519

AGENDA
MEETING WITH TRUSTEES

TRIDENT TRUST
10:00 am Wednesday May 15, 2002

- David Bester
- Francis Webb
- Annsley Plowman

Trident Trust		
1.0	Investment Update • YTD & MTD Returns for Maverick & Levered • FDI/FDV update – underlying investment status • Update on Michaels, CA, SCT, Greenmountain • Other investments	
2.0	Stargate Sport Horses update	
3.0	Lambda properties update – future trans/cash needs	
4.0	Management of liquid assets • Consolidation (FDI) • MFS / Nationsbank proposals from BOA	
5.0	Private annuity payments commencing 2003 • repayment options • cash flow	
6.0	CW 'Sub Funds' • Tyler Trust • Cayman LLC's • Selection of directors and shareholders • outline asset transfers and security capital loan transactions • Stargate horse farm carve out, future real estate transactions	
7.0	Scottish Annuity & Life Holdings – Warrant Registration	
8.0	Irish Holdings share transfer status	
9.0	Scottish Holdings liquidation	
10.0	Other opportunities?	
11.0	Collectibles, art & jewelry inventory & possession agreements	

Updated: May 3, 2002

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949-0658
Fax:(345) 949-2519

12.0	Trust entity accounting • Pitkin – walk through accounting • Tyler	
13.0	Due Diligence/KYC • IOM requirements re: beneficiaries/protectors/settlors • ITC requirements re: IOM investments in Funds	
14.0	IOM Company Audit Update • KPMG company review/ verification procedures • Plan for 2001 reports	
15.0	Discuss transfer of Red Mountain to Close Trustees	
16.0	Protector Company – status update	
17.0	Irish Trust staff update	
18.0	Ebankline at Bank of Bermuda	
19.0	General IOM update – what's new?	

Updated: May 3, 2002

FAX TRANSMITTAL Maverick

TO:	**Donald Beacock**	FROM:	**Shari Robertson**
COMPANY:	**MeesPierson (Isle of Man) Limited**	PHONE:	**(214)** Redacted by the Permanent Subcommittee on Investigations
PHONE:	**011 44** Redacted by the Permanent Subcommittee on Investigations	FAX:	**(214)**
FAX:	**011 44**	DATE:	**August 27, 1997**
NUMBER OF PAGES (including cover):		TIME:	**4:18 PM**

COMMENTS:

Sam Wyly has executed a Letter of Wishes on behalf of the Lake Providence Trust and Delhi Trust. A copy is being forwarded with this facsimile and the original is following by courier. If you would like to discuss the recommendations in the Letter of Wishes with Mike and me, please give us a call.

Copy: Michelle Boucher

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 548

August 6, 1997

Donald Beacock
MeesPierson (Isle of Man) Limited
Pierson House
18-20 North Quay
Douglas, Isle of Man
British Isles IM99 1NR

RE: LETTER OF WISHES: Delhi Trust

Dear Sir:

This letter is being written to you in your capacity as the Trustees of the above named Trust. This letter is intended as guidance to the Trustee. It has no legal effect and it is not intended in any way to fetter the discretionary powers given to the Trustee. I fully appreciate that your discretion is absolute and this letter is not intended to bind you in anyway.

Although you are not bound by any views expressed in this letter concerning the administration, appointments and distribution of the Trust Fund, it is considered desirable for the Trustee to have a note of my opinions and wishes on these matters so that you and additional and/or succeeding Trustees ("the Trustees") may consider these opinions when making your decisions.

Following my death, I would like all assets of the trust, whether Capital or income to be utilized per stirpes for the benefit of my remaining children and their issue.

If during the term of the trust there shall no longer be living any of my issue, then it is my desire that the trust assets be applied to the benefit of The First Church of Christ, Scientist in Boston, Massachusetts U.S.A.

None of the provisions in this letter are binding on you and they grant no rights whatsoever to any of the persons named in it.

This memorandum shall remain in force indefinitely, but may be canceled or altered at any time in writing by me during my lifetime. I ask you to honor any such amendment even though you may receive it after my death.

Yours truly,

Sam Wyly

August 6, 1997

Donald Beacock
MeesPierson (Isle of Man) Limited
Pierson House
18-20 North Quay
Douglas, Isle of Man
~~British Isles IM99 1NR~~

RE: LETTER OF WISHES: Lake Providence Trust

Dear Sir:

This letter is being written to you in your capacity as the Trustees of the above named Trust. This letter is intended as guidance to the Trustee. It has no legal effect and it is not intended in any way to fetter the discretionary powers given to the Trustee. I fully appreciate that your discretion is absolute and this letter is not intended to bind you in anyway.

Although you are not bound by any views expressed in this letter concerning the administration, appointments and distribution of the Trust Fund, it is considered desirable for the Trustee to have a note of my opinions and wishes on these matters so that you and additional and/or succeeding Trustees ("the Trustees") may consider these opinions when making your decisions.

Following my death, I would like all assets of the trust, whether Capital or income to be utilized per stirpes for the benefit of my remaining children and their issue.

If during the term of the trust there shall no longer be living any of my issue, then it is my desire that the trust assets be applied to the benefit of The First Church of Christ, Scientist in Boston, Massachusetts U.S.A.

None of the provisions in this letter are binding on you and they grant no rights whatsoever to any of the persons named in it.

This memorandum shall remain in force indefinitely, but may be canceled or altered at any time in writing by me during my lifetime. I ask you to honor any such amendment even though you may receive it after my death.

Yours truly,

Sam Wyly

FAX TRANSMITTAL Maverick

TO:	**David Harris**	FROM:	**Shari Robertson**
COMPANY:	**Aundyr Trust Company Ltd.**	PHONE:	**(214)** Redacted by the Permanent Subcommittee on Investigations
PHONE:	**011 4** Redacted by the Permanent Subcommittee on Investigations	FAX:	**(214)**
FAX:	**011 4**	DATE:	**August 27, 1997**
NUMBER OF PAGES (including cover):		TIME:	**4:14 PM**

COMMENTS:

Sam Wyly has executed a Letter of Wishes on behalf of the Bulldog Trust and the Plaquemines Trust. A copy is being forwarded with this facsimile and the original is following by courier. If you would like to discuss the recommendations in the Letter of Wishes with Mike and me, please give us a call.

Copy: Michelle Boucher

August 6, 1997

David Harris
Aundyr Trust Company Ltd
International House
CastleHill, Victoria Road
Douglas, Isle of Man
British Isles IM2 4RB

RE: LETTER OF WISHES: Bulldog Trust

Dear Sir:

This letter is being written to you in your capacity as the Trustees of the above named Trust. This letter is intended as guidance to the Trustee. It has no legal effect and it is not intended in any way to fetter the discretionary powers given to the Trustee. I fully appreciate that your discretion is absolute and this letter is not intended to bind you in anyway.

Although you are not bound by any views expressed in this letter concerning the administration, appointments and distribution of the Trust Fund, it is considered desirable for the Trustee to have a note of my opinions and wishes on these matters so that you and additional and/or succeeding Trustees ("the Trustees") may consider these opinions when making your decisions.

Following my death, I would like all assets of the trust, whether Capital or income to be utilized per stirpes for the benefit of my remaining children and their issue.

If during the term of the trust there shall no longer be living any of my issue, then it is my desire that the trust assets be applied to the benefit of The First Church of Christ, Scientist in Boston, Massachusetts U.S.A.

None of the provisions in this letter are binding on you and they grant no rights whatsoever to any of the persons named in it.

This memorandum shall remain in force indefinitely, but may be canceled or altered at any time in writing by me during my lifetime. I ask you to honor any such amendment even though you may receive it after my death.

Yours truly,

Sam Wyly

August 6, 1997

David Harris
Aundyr Trust Company Ltd
International House
CastleHill, Victoria Road
Douglas, Isle of Man
British Isles IM2 4RB

RE: LETTER OF WISHES: Plaquemines Trust

Dear Sir:

This letter is being written to you in your capacity as the Trustees of the above named Trust. This letter is intended as guidance to the Trustee. It has no legal effect and it is not intended in any way to fetter the discretionary powers given to the Trustee. I fully appreciate that your discretion is absolute and this letter is not intended to bind you in anyway.

Although you are not bound by any views expressed in this letter concerning the administration, appointments and distribution of the Trust Fund, it is considered desirable for the Trustee to have a note of my opinions and wishes on these matters so that you and additional and/or succeeding Trustees ("the Trustees") may consider these opinions when making your decisions.

Following my death, I would like all assets of the trust, whether Capital or income to be utilized per stirpes for the benefit of my remaining children and their issue.

If during the term of the trust there shall no longer be living any of my issue, then it is my desire that the trust assets be applied to the benefit of The First Church of Christ, Scientist in Boston, Massachusetts U.S.A.

None of the provisions in this letter are binding on you and they grant no rights whatsoever to any of the persons named in it.

This memorandum shall remain in force indefinitely, but may be canceled or altered at any time in writing by me during my lifetime. I ask you to honor any such amendment even though you may receive it after my death.

Yours truly,

Sam Wyly

TRANSMITTAL

Maverick

TO: **Ronnie Buchanan**

~~COMPANY: Lorne House Trust~~

PHONE: **011 44** Redacted by the Permanent Subcommittee on Investigations

FAX: **011 44** Redacted by the Permanent Subcommittee on Investigations

FROM: **Shari Robertson**

~~PHONE: (214)~~ Redacted by the Permanent Subcommittee on Investigations

FAX: **(214)**

DATE: **August 27, 1997**

NUMBER OF PAGES (including cover):

TIME: **4:05 PM**

COMMENTS:

Sam Wyly has executed a Letter of Wishes on behalf of the Bessie Trust. A copy is being forwarded with this facsimile and the original is following by courier. If you would like to discuss the recommendations in the Letter of Wishes with Mike and me, please give us a call.

Copy: Michelle Boucher

August 27, 1997

Ronnie Buchanan
Lorne House Trust
Lorne House
Castletown, Isle of Man
British Isles IM9 1AZ

RE: LETTER OF WISHES: Bessie Trust

Dear Sir:

This letter is being written to you in your capacity as the Trustees of the above named Trust. This letter is intended as guidance to the Trustee. It has no legal effect and it is not intended in any way to fetter the discretionary powers given to the Trustee. I fully appreciate that your discretion is absolute and this letter is not intended to bind you in anyway.

Although you are not bound by any views expressed in this letter concerning the administration, appointments and distribution of the Trust Fund, it is considered desirable for the Trustee to have a note of my opinions and wishes on these matters so that you and additional and/or succeeding Trustees ("the Trustees") may consider these opinions when making your decisions.

Following my death, I would like all assets of the trust, whether Capital or income to be utilized with a priority favor regarding the specific assets of Dortmund and Atlantis for the benefit of my son Evan Wyly and his issue and the balance for the benefit, per stirpes for all my children (including Evan Wyly) and their issue. I am specifically excluding my spouse.

If during the term of the trust there shall no longer be living any of my issue, then it is my desire that the trust assets be applied to the benefit of The First Church of Christ, Scientist in Boston, Massachusetts U.S.A.

None of the provisions in this letter are binding on you and they grant no rights whatsoever to any of the persons named in it.

This memorandum shall remain in force indefinitely, but may be canceled or altered at any time in writing by me during my lifetime. I ask you to honor any such amendment even though you may receive it after my death.

Yours truly,

Sam Wyly

FAX TRANSMITTAL

Maverick

TO:	**David Bester**	FROM:	**Shari Robertson**
COMPANY:	**Trident Trust**	PHONE:	**(214)** Redacted by the Permanent Subcommittee on Investigations
PHONE:	**011 44** Redacted by the Permanent Subcommittee on Investigations	FAX:	**(214)**
FAX:	**011 44**	DATE:	**August 27, 1997**
NUMBER OF PAGES (including cover):		TIME:	**4:10 PM**

COMMENTS:

Sam Wyly has executed a Letter of Wishes on behalf of the LaFourche Trust. A copy is being forwarded with this facsimile and the original is following by courier. If you would like to discuss the recommendations in the Letter of Wishes with Mike and me, please give us a call.

Copy: Michelle Boucher

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 548

August 27, 1997

David Bester
Trident Trust Company Limited
100 Market Street
P.O. Box 175
Douglas, Isle of Man
British Isles IM99 1TT

RE: LETTER OF WISHES: La Fourche Trust

Dear Sir:

This letter is being written to you in your capacity as the Trustees of the above named Trust. This letter is intended as guidance to the Trustee. It has no legal effect and it is not intended in any way to fetter the discretionary powers given to the Trustee. I fully appreciate that your discretion is absolute and this letter is not intended to bind you in anyway.

Although you are not bound by any views expressed in this letter concerning the administration, appointments and distribution of the Trust Fund, it is considered desirable for the Trustee to have a note of my opinions and wishes on these matters so that you and additional and/or succeeding Trustees ("the Trustees") may consider these opinions when making your decisions.

Following my death, I would like all assets of the trust, whether Capital or income to be utilized per stirpes for the benefit of my remaining children and their issue. I am specifically excluding my spouse.

If during the term of the trust there shall no longer be living any of my issue, then it is my desire that the trust assets be applied to the benefit of The First Church of Christ, Scientist in Boston, Massachusetts U.S.A.

None of the provisions in this letter are binding on you and they grant no rights whatsoever to any of the persons named in it.

This memorandum shall remain in force indefinitely, but may be canceled or altered at any time in writing by me during my lifetime. I ask you to honor any such amendment even though you may receive it after my death.

Yours truly,

Sam Wyly

April 20, 1992

Lorne House Trust Company Limited
Lorne House
Castletown
Isle of Man
British Isles
Attn.: Mr. R. Buchanan

Re: ~~Bulldog Non-Grantor Trust~~

Dear Ronnie:

Purusant to Section 8 of the Bulldog Non-Grantor Trust Agreement dated March 11, 1992 the Committee of Trust Protectors wishes to make the following recommendations to the Trustee.

To exercise 210,000 Michaels Stores Options held in Tensas Limited, which is owned by the Bulldog Non-Grantor Trust using a cashless exercise thru First Boston Corporation, 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, Mr. Lou Schaufele, phone # (214) 740-5221. The committee recommends selling all of the stock at a price to a least exceed $20.00 per share. The exercise price of the stock is $3.00 a share, requiring $610,000 to exercise the stock with Michaels Stores, Inc. Cash in excess of exercise price should exceed $3,570,000. The committee recommends a loan at 6% interest rate, to mature in one year, of $3,500,000 to East Carroll Limited which is owned by the Bulldog Non-Grantor Trust. The committee recommends that cash in excess of the loan be invested in short term, cash-like securities, with some currency risk that you as Trustee feels competes with U.S. certificates of deposits yielding around 4 %.

To exercise 200,000 Michaels Stores Options held in East Baton Rouge Limited which is owned by the Bulldog Non-Grantor Trust using a cashless exercise thru First Boston Corporation, 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, Mr. Lou Schaufele, phone # (214) 740-5221. The committee recommends selling all of the stock at a price to a least exceed $20.00 per share. The exercise price of the stock is $3.00 a share, requiring $600,000 to exercise the stock with Michaels Stores, Inc. Cash in excess of exercise price should exceed $3,400,000. The committee recommends a loan at 6% interest rate, to mature in one year of $668,750 to East Carroll Limited which is owned by the Bulldog Non-Grantor Trust. The committee recommends that cash in excess of the loan be invested in short term, cash-like securities, with some currency risk that you as Trustee feels competes with U.S. certificates of deposits yielding around 4 %.

To exercise 667,000 Sterling Softare, Inc. Options held by East Carroll Limited which is wholly owned by the Bulldog Non-Grantor Trust using the cash loaned by Tensas Limited and East Baton Rouge Limited to exercise the stock.

The exercise price is $6.25 per share for a total exercise price of $4,168,750. The committee recommends that East Carroll Limited hold the Sterling Software, Inc. stock.

The committee also recommends that you consider establishing a line of credit for the following corporations with Chemical Bank (Guernsey): East Carroll Limited for $8,000,000 and East Baton Rouge Limited for $2,000,000.

Committe of Trust Protectors:

Michael C. French, Chairman

Sharyl Robertson, Vice-Chairman and Secretary

April 22, 1992

Mr. Mark Beasley
Michaels Stores, Inc.
P.O. Box 612566
DFW, Texas 75161-2566

Dear Mr. Beasley:

As Managing Director of Tensas Limited, I wish to exercise 210,000 Michaels Stores, Inc. options. I wish to exercise these options using a cashless exercise through First Boston Corporation, located at 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201. The broker on the account is Lou Schaufele and he may be reached at (214) 740-5221.

The following options are being exercised:

100,000 warrants originally issued through Warrant #3 dated 11/20/84, amended 10/24/90, and transferred to Tensas Limited 4/13/92.

110,000 options granted 8/4/86, amended 12/11/87, amended 8/8/89, amended 10/24/90, and transferred to Tensas Limited 4/13/92.

R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 550

April 22, 1992

[redacted] = Redacted by the Permanent Subcommittee on Investigations

First Boston Corporation
Attn: Mr. Lou Schaufele
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

Dear Mr. Schaufele:

As Managing Director of Tensas Limited, I wish to sell Michaels Stores, Inc. warrants utilizing a cashless stock exercise. I wish to sell 210,000 shares. The exercise price is $3.00 per share. A check for $630,000 should be issued to Michaels Stores, Inc. You may contact Mark Beasley, legal counsel for Michaels, at (214) [redacted]

R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

April 22, 1992

Mr. Mark Beasley
Michaels Stores, Inc.
P.O. Box 612566
DFW, Texas 75161-2566

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Dear Mr. Beasley:

As Managing Director of Tensas Limited, I wish to exercise 210,000 Michaels Stores, Inc. options. I wish to exercise these options using a cashless exercise through First Boston Corporation, located at 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201. The broker on the account is Lou Schaufele and he may be reached at (214) [redacted]

The following options are being exercised:

100,000 warrants originally issued through Warrant #3 dated 11/20/84, amended 10/24/90, and transferred to Tensas Limited 4/13/92.

110,000 options granted 8/4/86, amended 12/11/87, amended 8/8/89, amended 10/24/90, and transferred to Tensas Limited 4/13/92.

R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

FAX TRANSMITTAL

To:	**David Bester**	From:	**Shari Robertson** **Mike French**
Company:	**Trident Trust**	Phone:	**214** [Redacted by the Permanent Subcommittee on Investigations]
Phone:	**011 44 1624 677055**	Fax:	**214**
Fax:	**011 44 1625 620588**	Date:	**October 30, 1998**
Number of pages:	**1**	Time:	**7:20 AM**

Comments:

The Protectors of La Fourche Trust make the following recommendations effective as of November 1, 1998:

Devotion to redeem $750,000 of Edinburgh stock.

Devotion to sell $1,500,000 of Maverick Fund, Ltd. stock to Greenbriar, Ltd. This sell would be effective as of 11/1/98 for value as soon as Irish Trust Company determines the NAV/share. Michelle Boucher will make the arrangements to transfer the shares for value.

Relish to redeem $750,000 of Edinburgh stock.

For your additional consideration for December would be a gift of $2,000,000 to University of Michigan. We will discuss this gift at our next meeting.

For your convenience I have attached a projected cash flow statement.

Copy: Michelle Boucher

300 Crescent Court • Suite 1000 • Dallas, TX 75201 • 214/880-4100 • Fax 214/880-4104

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michelle Boucher [redacted]

03/03/2000 07:12 AM
Please respond to [redacted]

To: "Francis Webb (E-mail)" <fwebb@[redacted]
cc: Shari Robertson/Maverick@[redacted]
Subject: Woody Creek Ranch Limited

The protectors recommend that you make a further investment in Woody Creek Management Trust in the amount of $500,000 (five hundred thousand dollars). These funds are required to ensure that the properties have ready cash available to acquire additional TDR's (up to 6, averaging $150K each) should they come available. It is my understanding that the property manager hopes to acquire these by the end of April when it is expected that plans for the development will be submitted for approval.

I believe there is sufficient cash available in Devotion Limited to fund such additional investment. Please let me know if you need me to re-confirm wire instructions, which you should have on hand.

If you have any questions, please call.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 552

Confidential
SEC_ED00047857

PSI_ED00047857

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Michelle Boucher [mboucher@[redacted]
Sent: Tuesday, January 29, 2002 1:56 PM
To: Crittenden, Michele
Subject: some additional info on the transactions
- Devotion bought $15Million of Ranger Fund LLC shares from Sarnia, so the transfer to Sarnia is to pay for those shares.
- Sarnia is lending the funds to Greenbriar as an intercompany advance, Greenbriar are related companies - wholly owned by the same Trust.
- Greenbriar is making a $15Million loan to Security Capital

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 554

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Michelle Boucher [mboucher@[redacted]
Sent: Tuesday, January 29, 2002 12:46 PM
To: Crittenden, Michele
Subject: recap on cash flow
$15M from Devotion to Sarnia
$15M from Sarnia to Greenbriar
$15M from Greenbriar to Security Capital (wire out)

Andy Wallis will get you instructions for the first step today, and I hope Anna will get the next 2 to you today also, but it might be tomorrow. (today is much preferred!)

Michelle

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michelle Boucher
<mboucher@[redacted]

03/28/2000 10:46 AM
Please respond to
"mboucher@[redacted]

To: Shari Robertson/Maverick@[redacted]
cc:
Subject: Little Woody Creek Ranch Limited

~~I'm trying to get this sorted out to be sold to Bessie Trust in the next~~ 5 - 10 days.

There has been some back and forth on how to show the original funding in Devotion to WCRL to by the properties, but finally, in February I confirmed to Francis to go ahead with Devotion Limited being the sole share holder of LWCRL (as confirmed by Rodney). What we also decided was that the full invested amount of approx $12M be reflected as a capital contribution (par value and share premium).

Now that I'm looking at selling the company to Bessie Trust, I don' t think this was the best way to do it. I think we should have left it as Devotion holding the nominal shareholding (of say $100) with the balance of the funds being reflected as a interco advance from Devotion. That way I can sell LWCRL to Bessie Trust for $100 and have one of Bessie's subsidiary companies assume the loan from Devotion (or advance the funds to LWCRL and have them repay Devotion - I don't think it makes a difference).

If Bessie Trust has to buy LWCRL from Devotion for the full $12,190,000 I need to get money up to the Trust from a sub corp, which I know we don't want to do. Alternatively, I can have a subsidiary company (and if we have to go this route, I recommend we use the newly formed Spitting Lion as it was also formed for the purpose of a real estate transaction) purchase LWCRL. This would be okay, but I'd prefer for LWCRL to be a sub of the Trust, rather than a sub of a sub of the trust.....

Anyway - I've asked Francis to confirm that he did go ahead in February had has made the necessary changes to show all the investment as capital, and if so, to find out if we can take action to effectively reverse it.

I'll let you know what happens - I just thought you should be aware of the back and forth on this.

I've also sent recommendations today to clear up some intercompany balances and move some funds around between Bessie/Bulldog to make sure Bessie has money to buy LWCRL.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 555

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michelle Boucher
<mboucher@d[redacted]
[redacted]
03/29/2000 05:37 AM
Please respond to
"mboucher@[redacted]

To: Shari Robertson/Maverick@[redacted]
cc:
Subject: Little Woody Creek Ranch sale to Bessie

Good news (?!) is that Francis hadn't finalized the 'restructuring' of the transaction so from a corporate records perspective Devotion has $1.65 invested in LWCRL's capital stock and a loan to them for $12,193,000. I'll to have Bessie buy LWCRL for $1.65 and have Yurta Faf advance LWCRL $12,193,000 and have LWCRL repay Devotion. Ken is moving funds around to get money available in Yurta Faf. I expect the sale etc.... will happen Monday.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 556

Confidential
SEC_ED00047999

PSI_ED00047999

[redacted] = Redacted by the Permanent Subcommittee on Investigations

FACSIMILE COVER PAGE

TO:	Barbara Rhodes		From:	Michelle Boucher
COMPANY:	Lorne House	Fax:		809-[redacted]
FAX:	011-44-1-624-822-952		Tel:	809-[redacted]
DATE:	December 14th, 1995			

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Barbara,

Please find attached wire instructions for the following entities:

Scottish Holdings, Ltd
The Irish Trust Company (Cayman) Ltd.

Please arrange for the following amounts to be wired to Scottish Holdings on behalf of Bessie & Tyler. I suggest you use funds from Bulldog and Pitkin entities, preferably Morehouse and Roaring Fork respectively, as they have previously advanced money and Janak is working on a revolving loan agreement between them. However, having said that, please advance funds from whichever entities have it available.

Bessie	$2,133.33	being payment for 21,333.33 shares @ $0.10 per share
Tyler	$1,066.67	being payment for 10,666.67 shares @ $0.10 per share

[redacted]

I expect the Protectorates to give a recommendation to advance some funds to the Irish Trust Company/ Irish Holdings in the near future.

Please let me know the value date of the funds transfer so that I may expect it.

Kind regards,

Michelle Boucher
Manager, Finance & Administration
(unsigned as sent via personal computer)

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 557

= Redacted by the Permanent Subcommittee on Investigations

From: Evan Wyly
Sent: Friday, September 15, 2000 1:52 PM
To: Michelle Boucher <mboucher@[redacted]
Subject: Re: Fw: michaels sales offshore
Attach: att1.htm

OK

"Michelle Boucher" <mboucher@[redacted]
09/15/00 12:39 PM

To: evan wyly
cc: Shari Robertson/Maverick@[redacted]
Subject: Fw: michaels sales offshore

Copy fyi - I forgot to copy you initially.
Michelle
----- Original Message -----
From: Michelle Boucher
To: Shari_Robertson/Maverick%MAVERICKCAP@[redacted]
Sent: Friday, September 15, 2000 12:11 PM
Subject: michaels sales offshore

I spoke to Sam today, he wants us to proceed with selling 200,000 Michaels Stores shares from offshore to aid in raising funds for Ranger/Precept projects.

I would like to recommend selling 175,000 held by East Carroll, and 25,000 of the shares held by East Baton Rouge

I confirmed with him that there is nothing going on with the company that should preclude us from being in the market at this time. He wants Lou to slowly acquire without impacting the market.

Please confirm you are comfortable with me going forward to the Trustees.
Michelle

- att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 558

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: "Michelle Boucher" <mboucher@[redacted]
Sent: Friday, June 15, 2001 3:02 PM
To: <khennington[redacted]
Subject: fyi, transaction we are doing in the trusts re:CA

We are only doing this from offshore, but you should be aware. I've advised Shari as protector and she is on board. I've also cleared it through McCafferty to ensure we weren't doing anything to close to the date of Sam's planned activities. He is okay with it.

We are buying $2.5M worth of $35 CA calls that expire on August 17th. Paying a premium of approx 7.29% which at the current trading price of $32.50 is $2.37 per call. This is all being done through Lou. I've picked Sarnia for the transaction and sent everything to IFG. It should get put together Monday am, everyone has my numbers to reach me if they need to.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 559

FAX TRANSMITTAL

TO: **Ronnie Buchanan** FROM: **Shari Robertson**

COMPANY: **Lorne House Trust** PHONE: **(214)** Redacted by the Permanent Subcommittee on Investigations

~~PHONE:~~ ~~FAX: (214)~~

FAX: DATE: **February 12, 1997**

NUMBER OF PAGES (including cover): **26** TIME: **11:24 AM**

COMMENTS:

As you will remember, the protectorate committee recommended that you consider that the Tyler Trust (Soulieanna) consider the purchase of collectibles and art work. I am attaching the following invoices from Maguerite Theresa Green and Associates, Inc.:

Invoice 21801 for $44,166.00
Invoice 21806 for $ 9,093.00
Invoice 21807 for $37,619.04
Invoice 21808 for $ 5,975.40
Invoice 21809 for $ 2,857.80
Invoice 21810 for $ 8,573.40
Invoice 21800 for $ 3,637.20
Invoice 21799 for $13,509.60
Invoice 21797 for $14,289.00
Invoice 21796 for $ 3,377.40
Invoice 21788 for $32,475.00
Invoice 21787 for $ 8,261.64
Invoice 21784 for 175,365.00
Invoice 21782 for $12,178.13
Invoice 21781 for $ 7,066.56
Invoice 21780 for $15,588.00
Invoice 21771 for $ 2,078.40
Invoice 21770 for $ 3,897.00
Invoice 21766 for $ 1,818.60
Invoice 21798 for $ 1,039.20
Invoice 21803 for $14,029.20
Invoice 21804 for $16,237.50
Invoice 21805 for $17,146.80

Invoice total = $450,278.87

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 560

17-FEB-1997 10:44 P.001/001

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone+1624 823579 · Fax+1624 822952

Attn: Shari Robertson, February 17th, 1997.

From: Barbara Wade 1 Page Fax
Lorne House Trust Limited

Thank you for your fax dated February 12th.

Please be advised that we have today instructed Bank of Bermuda to transfer USD450,278.87 from Soulieana Limited to Maguerite Theresa Green & Associates, Inc.

Regards,

Barbara Wade

TO: Amy P

Internet: http://www.lorne-house.com/
Email: general@lorne-house.com

Licensed to conduct Investment Business by the Isle of Man Financial Supervision Commission

Registered in Isle of Man No. 20567
Telex No. 628265

TOTAL P.001

FAX TRANSMITTAL

[redacted] = Redacted by the Permanent Subcommittee on Investigations

TO:	**Michelle Boucher**	FROM:	**Shari Robertson**
COMPANY:		PHONE:	**214-[redacted]**
PHONE:	**345-[redacted]**	FAX:	**214-[redacted]**
FAX:	**345-[redacted]**	DATE:	**April 21, 1999**
NUMBER OF PAGES (including cover):	19	TIME:	**10:00am**

As in the past, the protectorate committee recommends that Tyler Trust (Soulieana Limited) consider the purchase of collectibles and artwork. I am attaching invoices from Marguerite Theresa Green and Associates, Inc. totalling $224,298.26.

I am obtaining insurance on behalf of Soulieana, as requested. Pictures of these collectibles will come by courier with the original invoices.

If possible, could these funds be wired **AS SOON AS POSSIBLE** since vendors need to be paid immediately. Wiring instructions are: First National Bank of Park Cities, Dallas TX, ABA 111014325, for the account of Marguerite Theresa Green and Associates, Inc., Acct. No. [redacted]

Thank you.

300 Crescent Court • Suite 1000 • Dallas, Texas 75201 • 214/880-4056

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 560

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23489
Invoice Date: 4/1/99
Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/1/99

Description	Amount
UPSTAIRS SITTING ROOM A mid-19th century Chinese pottery figure of an elder. ($7200.00 x 20%)	8,640.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____ Signature for Acceptance

Date: _____

	Subtotal	8,640.00
	Sales Tax	712.80
Check No:	Total Invoice Amount	9,352.80
	Payment Received	0.00
	TOTAL	9,352.80

Marguerite Theresa Green and Associates, Inc.

Invoice

Invoice Number: 23490
Invoice Date: 4/8/99
Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID:SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
CARD ROOM A rare derby spill vase decorated with playing cards.($9,000.00 x 20%)	10,800.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	10,800.00
	Sales Tax	891.00
	Total Invoice Amount	11,691.00
Check No:	Payment Received	0.00
	TOTAL	11,691.00

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Marguerite Theresa Green and Associates, Inc.

Invoice

Invoice Number: 23491

Invoice Date: 4/8/99

Page 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
MASTER SITTING ROOM A pair of oval rolled paper panels; each centering portraits of young ladies: one in a pastorial setting, the other, reading. ($13,500.00 x 20%)	16,200.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____ Signature for Acceptance

Date: _____

	Subtotal	16,200.00
	Sales Tax	1,336.50
	Total Invoice Amount	17,536.50
Check No:	Payment Received	0.00
	TOTAL	17,536.50

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Apr-08-99 12:23P M. GREEN & ASSOC. 214 528 0492 P.04

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23492

Invoice Date: 4/8/99

Voice:
Fax:

Page: 1

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
UPSTAIRS HALLWAY Oil on canvas "Fisherman before Windsor Castle". English school, 19th century. ($10,500.00 x 20%)	12,600.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____ Signature for Acceptance

Date: _____

	Subtotal	12,600.00
	Sales Tax	1,039.50
	Total Invoice Amount	13,639.50
Check No:	Payment Received	0.00
	TOTAL	13,639.50

4445 Travis St. • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23493

Invoice Date: 4/8/99

Voice:
Fax:

Page 1

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
UPSTAIRS HALLWAY A pair of paintings depicting buildings along a canal and figures on a wooded path. Oil on panel. Johannes Janson; Dutch, 1729-1784.($27,000.00 x 20%)	32,400.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	32,400.00
	Sales Tax	2,673.00
	Total Invoice Amount	35,073.00
Check No:	Payment Received	0.00
	TOTAL	35,073.00

Apr-08-99 12:22P M. GREEN & ASSOC. 214 528 0492 P.02

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23494

Invoice Date: 4/8/99

Voice:
Fax:

Page: 1

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
UPSTAIRS SITTING ROOM A pair of George III carved gilt wood wall brackets. ($28,500.00 x 20%)	34,200.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

Subtotal	34,200.00
Sales Tax	2,821.50
Total Invoice Amount	37,021.50
Payment Received	0.00
TOTAL	37,021.50

Check No:

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

CONFIDENTIAL
SECI00066620
PSI00078487

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23495

Invoice Date: 4/8/99

Page 1

Voice:
Fax:

Sold To:
Souliesna Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
UPSTAIRS SITTING ROOM A George III faded mahogany oval breakfast table on a quadruped pedestal base.($27,000.00 x 20%)	32,400.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
_ Signature for Acceptance

Date: _____

	Subtotal	32,400.00
	Sales Tax	2,673.00
	Total Invoice Amount	35,073.00
Check No:	Payment Received	0.00
	TOTAL	35,073.00

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23496

Invoice Date: 4/8/99

Voice:
Fax:

Page: 1

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
LIBRARY A pair of Canton vases with wood bases. ($12,500.00 x 20%)	15,000.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_ Signature for Acceptance

Date: _____

	Subtotal	15,000.00
	Sales Tax	1,237.50
	Total Invoice Amount	16,237.50
Check No:	Payment Received	0.00
	TOTAL	16,237.50

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23497

Invoice Date: 4/8/99

Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
MASTER SITTNG ROOM A pair of gilt brackets with Phoenix. ($1,200.00 x 20%)	1,440.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	1,440.00
	Sales Tax	118.80
	Total Invoice Amount	1,558.80
Check No:	Payment Received	0.00
	TOTAL	1,558.80

Marguerite Theresa Green and Associates, Inc.

Invoice

Invoice Number: 23498
Invoice Date: 4/8/99
Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
CARD ROOM A pair of Victorian walnut brackets. ($400.00 x 20%)	480.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	480.00
	Sales Tax	39.60
	Total Invoice Amount	519.60
Check No:	Payment Received	0.00
	TOTAL	519.60

4445 Travis St. • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23499

Invoice Date: 4/8/99

Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
A pair of 19th century mirrors with contemporary mahogany frames. ($3,000.00 x 20%)	3,600.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_ Signature for Acceptance

Date: _____

Subtotal	3,600.00
Sales Tax	297.00
Total Invoice Amount	3,897.00
Check No: Payment Received	0.00
TOTAL	3,897.00

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23500

Invoice Date: 4/8/99

Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
[redacted]S BATH A set of 2 "Parian" wall shelves.($1800.00 x 20%)	2,160.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	2,160.00
	Sales Tax	178.20
	Total Invoice Amount	2,338.20
Check No:	Payment Received	0.00
	TOTAL	2,338.20

Marguerite Theresa Green and Associates, Inc.

Invoice

Invoice Number: 23501

Invoice Date: 4/8/99

Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
GUEST BEDROOM A five piece set of creamware. ($3200.00 x 20%)	3,840.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	3,840.00
	Sales Tax	316.80
	Total Invoice Amount	4,156.80
Check No:	Payment Received	0.00
	TOTAL	4,156.80

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23502

Invoice Date: 4/8/99

Page: 1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/8/99

Description	Amount
[redacted]'S CLOSET Bronze and crystal lamp base. Not wired, lamping not included. ($500.00 x 20%)	600.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____ Signature for Acceptance

Date: _____

	Subtotal	600.00
	Sales Tax	49.50
	Total Invoice Amount	649.50
Check No:	Payment Received	0.00
	TOTAL	649.50

Apr-09-99 01:26P M. GREEN & ASSOC. 214 528 0492 P.02

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23506

Invoice Date: 4/9/99

Voice:

Fax:

Page: 1

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/9/99

Description	Amount
ACCESSORIES	
A set of 8 English glasses. ($2000.00 x 20%)	2,400.00
2 Irish glass decanters. ($440.00 x 20%)	528.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_ Signature for Acceptance

Date:

	Subtotal	2,928.00
	Sales Tax	241.56
	Total Invoice Amount	3,169.56
Check No:	Payment Received	0.00
	TOTAL	3,169.56

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Apr-09-99 01:26P M. GREEN & ASSOC. 214 528 0492 P.01

Invoice

Marguerite Theresa Green and Associates, Inc.

Invoice Number: 23507

Invoice Date: 4/9/99

Voice:
Fax:

Page: 1

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer ID: SOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		4/9/99

Description	Amount
GUEST ROOM	
A pair of Staffordshire creamware plaques of "Patricia and Her Lover". ($3780.00 x 20%)	4,536.00
A Staffordshire creamware plaque of John Phillip Kemble. ($1820.00 x 20%)	2,184.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

_____
Signature for Acceptance

Date: _____

	Subtotal	6,720.00
	Sales Tax	554.40
	Total Invoice Amount	7,274.40
Check No:	Payment Received	0.00
	TOTAL	7,274.40

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher " <mboucher@[redacted]
11/17/2000 07:56 AM

To: KennethJ@[redacted]
cc: Shari Robertson/Maverick@[redacted]
Subject: audubon asset

Ken,
The protector company is recommending the acquisition of various pieces of art from Computer Associates. The total acquisition price will be $669,735.

I hope to have the invoice shortly, and expect that payment will be required early next week. I assume there will be enough funds available at Bank of Bermuda, pursuant to our earlier correspondence this week.

Michelle

- att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 561

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Michelle Boucher <mboucher@[redacted]
11/04/1999 01:32 PM

To: Shari Robertson/Maverick@[redacted]
cc:
Subject: items for trustees

Trident:
- I have received the tax exempt certificates for the Trident entities
La Fourche Trust
-possible sale of Woody Creek Ranch Limited to Bessie Trust for a note with Woody Creek Ranch Limited shares as collateral (interest rate ?)
- Francis has not yet seen any original Trust documents for execution regarding the Woody Creek Ranch Management Trust (he may ask about them - I've emailed Elaine today asking her to follow up on this)
Tyler Trust
- acquisition of CW family properties through Tyler Trust, via loans from Elegance (Trident) and Quayle (Northern Bank)
- long term strategy
- long term cash flow management

IFG
Bessie Trust
- acquisition of Woody Creek Ranch Limited from La Fourche using a note
- ongoing cash requirements for the property - construction plans ($3M) and annual mtce costs
- future property acquisitions
- cash management

Moberly Limited
- status of receiving legal opinion from Simcocks for the SSW transaction
- possible sale or redemption of FUND to raise cash for liquidity

Castle Creek
- loan of money to Tyler Trust (Trident) to acquire CW properties

Other items FYI:
- Trident has a query on Edinburgh Depreciation Deposit adjustments made earlier this year - I have not responded yet - Francis & I discussed this last week (I know it's outstanding if they bring it up with you).

- Trust reporting. We are posted through 9/30, but I have not given a thorough review, and I am aware of a few problems on some small items - so I'm not happy to release them yet. I have told the various trustees that I hope to have these for them by the end of next week - but I think some of them (Francis, in particular :)) was anxious about not having them going into your meeting next week. I told him I doubted that you and Mike would want to discuss and detailed accounting related matters, and he shouldn't worry.

- Overall, I think that cash flow is the biggest issue right now. I also get the feeling from IFG (which I think you do too) that they've agreed to be fairly aggressive lately and are feeling somewhat anxious about it. I think they'll need some reassurance possibly some pacifying. Ken seemed to be particularly miffed about Lehmans not following through with the notices on the collateral movement last weekend. I think he felt they agreed to the movement of the collateral in good faith, on the condition that they received the notice over the weekend and then didn't get it. (I may be making a bigger issue of this than needs to be, but Ken did sound a little funny, which really

isn't Ken)
- Francis commented after the fact on being very rushed on moving forward with the Woody Creek Ranch closing. Which he was, but that's life. He knows that we will give them more time with the future acquisitions.

Well I think I've begun to ramble too much :) Let me know if you have ~~questions on anything else that you need to know about before you go.~~

I am totally happy to be on the other end of a speaker phone during the meetings, so let me know if you'r e going to plug me and at what times.

I feel tremendously guilty that I'm not going, and am going to miss the chance to spend the time with you and touch base with all the Trustees.

Michelle

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Michelle Boucher <mboucher@[redacted]>
Sent: Thursday, September 06, 2001 9:14 AM
To: jfrederick@[redacted]
Cc: Lara Haskins <lhaskins@[redacted]>; khennington@[redacted]
Subject: FW: Projections

Jana, we have requested $3.6M for Two Mile Ranch and $1.5M for Cottonwood. I expect the trustees will have it to move to you Tuesday or Wednesday next week. Lara will advise you as soon as we are notified of the value date of the transfer.

Also, I will need a breakdown of how the money is being spent on TMR. We need to break costs out by overall property development vs. individual house construction. Keeley and I spoke about this earlier in the year and I think
you were going to set up sub a/cs in Total Return to track it. We need to
touch base on this again. Let me know what you guys are doing, so we can make sure we get the right reporting to allocate it in our system.

Michelle

-----Original Message-----
From: Michelle Boucher [mailto:mboucher[redacted]
Sent: Monday, September 03, 2001 11:24 AM
To: evan_wyly@[redacted] swyly@[redacted]; khennington@[redacted]
Cc: Lara Haskins; davidh@[redacted]; annab@[redacted]
Subject: Fw: Projections

FYI, an update on near term cash flow needs for the Aspen properties.

Michelle

-----Original Message-----
From: Kristin <kristin@[redacted]
To: jfrederick@[redacted] <jfrederick@[redacted]>; Michelle Boucher <mboucher@[redacted]
Date: Monday, September 03, 2001 12:13 PM
Subject: Projections

I just received a three month projection of expenditures from Fenton Construction. For the ranch, they are projecting $3 million over the next three months. I'm expecting approximately $200k per month for the ranch in other expenditures (i.e. architects, design, engineers, etc.). So for the ranch, let's plan on 1.2m per month through November.

For Cottonwood II, Fenton Construction plans on $1.2m in expenditures over the next 3 months. Let's say $500k per month for Cottonwood II until November.

If you have any questions, please feel free to email or call me. Thanks.

Kristin

Confidential
SEC_ED00014220

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 563

PSI_ED00014220

06/09 '01 18:46 FAX [redacted]

SARNIA INVESTMENTS LIMITED

(Incorporated in the Isle of Man No: 52403)

Directors:

K.G. Harding
N. Goddard (Irish)

Registered Office:

International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

Ref: AB/SLD/SARNIA-L2.1

6th September, 2001.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

BY COURIER

Michele Crittenden
Lehman Brothers Inc.
Texas Commerce Tower,
Suite 2500,
2200 Ross Avenue,
Dallas,
Texas 75201,
United States of America.

To be transmitted by Fax and Post

Fax No: 001 [redacted]

Dear Michele,

RE: CASH TRANSFER

From cash realised from recent stock sales please effect the following wire transfer:-

Amount:	US$1,500,000 (One Million, Five Hundred Thousand US Dollars)
Bank:	Citibank N.A., 111 Wall street, New York City.
ABA No:	021000089
Swift Address:	CITI US33
Account:	Bank of Bermuda (Isle of Man) Limited
Account No:	[redacted]
Swift Address:	BBDAIMDX
For further credit to:	Cottonwood II Limited
Account No:	[redacted]
Reference:	Sarnia Investments Limited

Thanking you in advance for your assistance in this matter and confirming that the original instruction will be forwarded to you by Courier.

Yours faithfully,

D.A. Harris,
Authorised "A" Signatory.

K. Harding,
Authorised "A" Signatory

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 563

CC 027321

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher" <mboucher@[redacted]>

To: <evan_wyly@[redacted]>, <swyly@[redacted]>
cc:
Subject: SCOT shares - tradeable stock

05/23/01 03:26 PM

On Friday May 18th, Lehmans confirmed a closing price on SCOT of $15.13 and booked the sale of 270,000 shares between IFG and Trident entities. The trustees at Trident are now able to sell these shares in the market.

The stock has been selling between $14.75 and $15.75 for the past two weeks. The protectors are prepared to recommend that the trustees use Lou Schaufele to move the stock out in the market, at his discretion but at no less than $15 per share. The trustees will also ask Lou to keep an eye out for any opportunities for large block trades. The protector recommendation will go out overnight and trading should commence tomorrow.

I'll keep you updated on trading volume and pricing.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 564

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, June 14, 2001 8:28 AM
To: "Michelle Boucher" <mboucher@[redacted]
Subject: Re: allocations to LLCs

Attachments: swsubfunds.doc; swalloc301.xls

I did not fully appreciate all you had to go through until I saw all this. I have walked through it, but would not say I fully understand everything. If you get a minute and want to walk me back through it, that would be great. I will be in until about 1:00 today and then I have to go out to Tango and ChaCha to help with an insurance issue. Maybe we can talk Tuesday

"Michelle Boucher" <mboucher[redacted]
06/13/01 12:16 PM

To: <DavidH[redacted], <khennington[redacted]
cc:
Subject: allocations to LLCs

Here you go - have fun! Call me when you are ready to discuss :-)
- swsubfunds.doc
- swalloc301.xls


swsubfunds.doc (30 KB)


swalloc301.xls (61 KB)

Confidential
SEC_ED00006047

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 570

PSI_ED00006047

LOCKE LIMITED

(Incorporated in the Isle of Man No: 77573C)

Directors:

K.G. Harding
A.M. Benbatoul

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man,
IM2 4RB.

Tel: (01624) 630600
Fax: (01624) 624469

S/A1 SIB-11963

* * * FACSIMILE TRANSMISSION * * *

Page 1 of (Total Sent) Date: 3rd June, 2002

Time Sent: Fax No: 001 214 303 3980
Operator Ref: INST I DISB

TO: MICHELE CRITTENDEN
BANK OF AMERICA SECURITIES LLC

FROM: ANNA BENBATOUL

REF: AB/KW/CRITT3F4.1

ACCOUNT NUMBER 513-11963

This faxed instruction supercedes our fax of earlier today. The earlier instruction should be disregarded.

We are shortly expecting a credit of US$3,000,000 into the above account. Upon receipt please liquidate sufficient money funds or US Agency Bonds as appropriate to bring the cash balance to US$5,000,000.

Once sufficient funds have been liquidated, we should be grateful if you would arrange for US$5,000,000 to be transferred to the following account details:-

Bank:	IBJ Whitehall Bank & Trust Company, New York
ABA Number:	026-007-825
CHIPS Number:	782
For account:	Queensgate Bank & Trust Company Limited [redacted]
Reference:	Security Capital Limited
Account:	[redacted]

APPROVED
JUN 03 2002
CINDY L. KELLEN
SALES SUPERVISOR

This payment is being made to enable the company to acquire a work of art.

Thank you for your assistance in this matter. Should you have any queries in connection with this transaction, please contact Anna Benbatoul on the above telephone number.

Yours sincerely,

E.J. Higgins,
Authorised "A" Signatory.

A.M. Benbatoul,
Authorised "B" Signatory.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 570

[redacted] = Redacted by the Permanent Subcommittee on Investigations

"Michelle Boucher" <mboucher@candw.ky>
07/16/03 09:44 AM
Please respond to "Michelle Boucher" <mbouche[redacted]

To <khennington@[redacted]
cc
bcc
Subject Re: Fw: security capita

I think it doesn't hurt but I think we need to tone down some of the assignment language to indicate maybe that SW won't assign the notes without prior notification and acknowledgement thereof by the IOM entity -- maybe just notification..... what do you think?
----- Original Message -----
From: <khennington[redacted]
To: "Michelle Boucher" <mboucher[redacted]
Sent: Wednesday, July 16, 2003 9:30 AM
Subject: Re: Fw: security capital

> So what do you think about this? I don't really like it but not sure it
> hurts anything. I am also okay with $10M but I think David needs to be
> aware that we may be coming back to him at a future date.

> The preceding e-mail message (including any attachments) contains
> information that may be confidential, or constitute non-public information.
> It is intended to be conveyed only to the designated recipient(s). If you
> are not an intended recipient of this message, please notify the sender by
> replying to this message and then delete it from your system. Use,
> dissemination, distribution, or reproduction of this message by unintended
> recipients is not authorized and may be unlawful.

"Michelle Boucher" <mboucher@c[redacted]

07/16/03 08:56 AM

Please respond to "Michelle Boucher" <mboucher[redacted]

To <khennington@[redacted]
cc
Subject Fw: security capital

4107

Signature

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 571

CONFIDENTIAL
SECI00028673
PSI00040540

[redacted] = Redacted by the Permanent Subcommittee on Investigations

> ----- Original Message -----
> From: "Pat Fitzpatrick" <PatF[redacted]
> To: <mboucher[redacted]
> Sent: Wednesday, July 16, 2003 6:39 AM
> Subject: security capital

> 16 July 2003

> Loan to Security Capital

> Your email of 11 July and our telephone conversation yesterday evening refer. As discussed, on the basis that Sam has the expectation of the annuity payments kicking in next year, Sarnia/its owner will be happy to make a revolving credit facility available to Security Capital for onlending to Sam. Could I perhaps suggest at this stage we just make it a US$10 million facility. I appreciate that Sam is unable to enter into any sort of formal charge over the annuities but think that it would be helpful if, in a side letter to the facility agreement, Sam were to enter into what would amount to a negative pledge. The sort of side letter that I have in mind, which would be from Sam to Security Capital and which Security Capital would copy on to Sarnia, is as follows:-

Security Capital

"Dear Sirs,

I refer to the US$10 million revolving credit facility which you are considering granting to me, such facility to be on an unsecured basis. I confirm that commencing on October ??, 2004 I become entitled to annuity payments of US$ 9,934,520 per annum from [Isle of Man companies] 61st Cassell Limited. This will afford me sufficient liquidity to make repayments under the loan facility. Whilst my interests in the annuities are capable of being formally assigned, any such assignment would have potential income tax obligations for me. However, I confirm that I shall not assign the annuities to any other person without first offering any such assignment to yourselves, and I further confirm that if requested by you, at some time in the future to provide more security for the amounts due by me to you under the proposed loan facility, I shall execute appropriate letters to the payers of the annuity directing that such annuity payments should be

either pledge additional assets

= Redacted by the Permanent Subcommittee on Investigations

paid
> > directly to yourselves."
> >
> > The above is somewhat tortuous, but hopefully we can get comfort
> somewhere
> > along the lines of the above.
> >
> > Kind regards
> >
> >
> > David A. Harris
> > Director
> >
> > PS This email has been sent by my secretary to whom it was dictated
> > Note that my direct email address is davidh[redacted]
> >
> >
> >
> >
> >
> > Patricia Fitzpatrick
> > IFG International Limited
> > Licensed by the Isle of Man Financial Supervision Commission as a
> Corporate
> > Service Provider
> >
> >
> >
> >
>

>
> >
>
>
>

8080 N Central Exp[illegible]sway
Dallas, Texas 75206
(214) 891-8341

EBR 1330,781 - $K
$570,660 - Mic

October 9, 1992

Rec'd $260,545 - $K
$161,868 - € K

Mr. Ronnie Buchanan
Lorne House Trust
Lorne House
Castletown
Isle of Man
British Isles

Re: Bulldog Trust

Dear Ronnie:

Mike French and I would like to recommend to the Trustee to purchase the following security from Sam Wyly:

238,767 shares of Photomatrix Corporation @ $.12 per share for $26,264.37.

We would recommend that this stock be purchased in one of the foreign corporations owned by Bulldog Trust. Please advise if you wish to proceed with this sale. I am out of town next week but Mike French could take care of the transfer of securities.

Regards,

Sharyl Robertson

cc: Michael French

Attachments: Photomatrix Corporation certificate # 89 for 238,767 shares

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 572

CONFIDENTIAL
PSI00118984

© DWIGHT R. H. JACKSON
CHICAGO LAW BLANK CO.
205 W. RANDOLPH ST.
CHICAGO, ILLINOIS 60606

(RESERVE THIS SPACE TO PASTE BACK CANCELLED STOCK CERTIFICATE)

Certificate No. 105 For 238,767 Shares

PHOTOMATRIX CORPORATION

Dated 11/9/92 19

Issued to TENSAS LIMITED
LOREN HOUSE TRUST LTD
CASTLETOWN, ISLE OF MAN,
BRITISH ISLES

Received this Certificate 13th June 1993
W. Lee, Jnr.

Surrendered this Certificate 19

IF NOT AN ORIGINAL ISSUE SHOW DETAILS OF TRANSFER BELOW

Transferred from	Original Certificate No	Original Certificate Date	No. of Shrs. Bought	No. of Shrs. Transfd.
SAM WYLY	89	1/10/92	238767	238767

IF THIS CERTIFICATE IS SURRENDERED FOR TRANSFER SHOW DETAILS

New Certificate Issued to	No. of New Certificate	No. of Shares Transferred

Michael C. French, Esq.,
Jackson & Walker L.L.P.,
901 Main Street, Suite 6000,
Dallas,
Texas 75202-3797.

October 12th, 1992.

Photomatrix Corporation

Sharyl Robertson faxed the Committee of Protectors recommendation that the Bulldog and Pitkin trusts should buy shares in the above corporation on Friday, after our working hours. She also said that she would be out of her office all this week.

While we have the greatest admiration for the Protectors' advice, an additional burden of responsibility is thrown upon us when the suggestion is made that we should buy securities from the Settlors. We cannot find that a market quotation for **Photomatrix.** While we do not wish to suggest that 12 cents is a wrong price, we do need something for our records to show that it was a fair one.

We would also like to know the registered address of **Photomatrix,** in case - having bought stock - we do not receive information to which we would be entitled as shareholders.

Trusting that this information can be supplied, you should know that the **Pitkin Trust** would wish to purchase through **Roaring Creek Limited** while the **Bulldog Trust** would use **Tensas Limited.** Payment would come via Chemical Bank in New York.

Changing subject, I shall be in Dallas on the night of Thursday, October 29th, and would be happy to devote all the next, Friday, morning to Messrs. Charles and Sam Wyly's affairs. I fly out at lunch time.

R. Buchanan.

Lorne House Trust Limited,
Lorne House,
Castletown,
Isle of Man IM9 1AZ.

January 5th, 1998.

Gentlemen,

Restructuring of Scottish Holdings, Ltd.

We understand that you are concerned that the following documents which we are asking you to sign as Trustees of the Tyler Trust appear to be more favourable to the beneficiaries of the South Madison Trust than to the beneficiaries of the Tyler Trust.

It is nevertheless our wish that you should sign them on behalf of the Tyler Trust and we hereby indemnify you against any costs of any nature and to hold you harmless with respect to any consequences of your signing the documents.

Shari Robertson
Disinterested Member,
Committee of Protectors.

Charles J.Wyly, Jr.
Settlor.

TOTAL P.002

Lorne House Trust Limited
Lorne House
Castletown
Isle of Man

15th January 1998

Gentlemen,

Restructuring of Scottish Holdings Limited

We understand that you are concerned that the following documents which we are asking you to sign as Trustee of the Bessie Trust appear to be more favourable to the beneficiaries of the South Madison Trust and to the owners of Altonco International Limited than to the beneficiaries of the Bessie Trust.

It is nevertheless our wish that you should sign them on behalf of the Bessie Trust and we hereby indemnify you against any costs of any nature and to hold you harmless with respect to any consequences of your signing the documents.

Shari Robertson
Disinterested Member
Committee of Protectors

Sam Wyly
Settlor

BLUE TRUST FILE IN
SAFE
BESSIE TRUST.

[illegible] P.002

P.001

17-FEB-1998 21:37 2149804852

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 584

CONFIDENTIAL
PSI00117555

April 23, 1998

Mr. Ronald Buchanan
Lorne House Trust
Lorne House
Castletown, Isle of Man

RE: The Bessie Trust; The Tyler Trust

Dear Mr. Buchanan:

We regret to advise you the pursuant to Paragraph (10) of the Fourth Schedule of the Deeds of Settlement of each of the above referenced trusts, the undersigned Protectors of such Trusts have determined to remove Lorne House Trust as the Trustee of each of the Trust and to appoint as successor Trustees, Aundyr Trust Limited, in the case of The Bessie Trust and Trident Trust (Isle of Man) Limited, in the case of the Tyler Trust.

Please contact Mr. David Harris at Aundyr Trust Company (IFG) with regard to an orderly transfer of the books and records of the Bessie Trust and Mr. David Bester of Trident Trust (Isle of Man) Limited with respect to such transfer of the books and records of The Tyler Trust.

We have previously scheduled a meeting with you and your offices on Tuesday, May 5, 1998. At the time of that meeting, we would like to examine the books and records of the Trusts prior to their being forwarded to the successor trustees.

Please be advised that this change in no way is a reflection on you or your staff, but is being made as a matter of administrative convenience.

We look forward to seeing you May 5.

Regards,

Michael C. French

Sharyl Robertson

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Bessie Trust

THIS DEED OF RETIREMENT AND APPOINTMENT OF NEW TRUSTEES is made on the 11th May 1998

BETWEEN

1. Michael C French and Sharyl Robertson ("the Committee of Protectors")

2. Lorne House Trust Limited ("the Retiring Trustee")

3. Aundyr Trust Company Limited ("the New Trustee")

SUPPLEMENTAL to the Deed of Settlement dated 2nd February 1994 made between Keith L King of the one part and the Retiring Trustee

WHEREAS

(A) The Committee of Protectors has the power under the Settlement to remove or replace any Trustee of the Settlement with or without cause, upon giving written notice of such replacement to the Trustee for the time being.

(B) The Committee of Protectors wishes to appoint the New Trustee as successor Trustee to the Retiring Trustee.

(C) It is intended that all property of the Settlement shall be transferred to or placed under the control of the New Trustee.

NOW THIS DEED WITNESSES AS FOLLOWS:

1. In exercise of the power conferred by the Settlement on the Committee of Protectors the Committee of Protectors HEREBY REMOVES the Retiring Trustee and HEREBY APPOINTS the New Trustee to be Trustee of the Settlement in place of the Retiring Trustee to act in the trusts of the Settlement or such of them as are still subsisting and the New Trustee hereby consent so to act.

2. The Retiring Trustee is hereby discharged from the trusts of the Settlement.

3. The New Trustee shall have no duty liability obligation or responsibility for the acts or omissions of the Retiring Trustee nor shall the New Trustee be bound to rectify any such acts or omissions.

IN WITNESS WHEREOF the parties hereto have duly executed these presents the day and year first before mentioned.

Retiring Trustee:

The Common Seal of
Lorne House Trust Limited
was hereto affixed
in the presence of:

The New Trustee:

The Common Seal of
Aundyr Trust Company Limited
was hereto affixed
in the presence of:

DIRECTOR

DIRECTOR

SIGNED AS A DEED BY THE COMMITTEE OF PROTECTORS

(MICHAEL C. FRENCH)

(SHARYL ROBERTSON)

in the presence of:

International House
Castle Hill
Victoria Road
Douglas, Isle of Man.

Minutes of a meeting of the Trust Committee of Lorne House Trust Limited held at Lorne House on Tuesday, 7th May, 2002.

Present:	R. Buchanan	(RB)
	T.E. Butler	(TEB)
	J.C. Cubbon	(JCC)

The Bessie Trust

Background
RB recalled how Lorne House Trust had been the initial trustee of the above trust, which Mr. Keith King had settled for the benefit of Mr. Charles Wyly and his nominees. We were asked to resign as trustees after we had queried the benefits that the Wyly brothers' in-house lawyer, who was not an appointed beneficiary, sought for himself. Initially, the trust was to have been transferred to Coutts & Co. but, for some reason which we were not told, IFG International were substituted.

We had supposed that all trust assets had been transferred along with the trusteeship but it had now emerged that 16,667 shares in Irish Holdings, Ltd remained in LHT's name as trustee.

IFG had verified that the original certificate No. 1 for the above shares was uncancelled.

It was agreed that there was no apparent advantage to the beneficiaries in leaving the shares registered in the name of the retired trustee.

It was therefore RESOLVED to sign the deed of transfer.

R. Buchanan T.E. Butler J.C. Cubbon

Mike French, Esq.,
Maverick,
8080 N. Central Expressway,
Dallas,
TX 75206.

Fax to: 010 1 [Redacted by the Permanent Subcommittee on Investigations]

March 1st, 1995.

The Scottish Annuity Company (Cayman) Ltd.

thank you for your fax last night.

Where Keith and I are concerned with respect to the above company, we feel that we are being asked to put our heads on the block without having much compensation. The potential risk to our reputation is much the more important aspect as far as we are concerned. If it turned out that our agents in Cayman had been fraudulent, or merely negligent, and we as Managing Directors had failed to keep an careful eye on matters then our very livelihoods would be at risk.

Quite frankly, we were not impressed by Roger Phelps' idea of a quarterly report. As and when the new man is in place - and it might have been better had we been more involved in the decision to appoint him - we will hope to receive quarterly or monthly analyses of income, expenditure and cash position with comparisons against budget, the previous quarter and, in due course, the equivalent quarter in the previous year and so on. Being able to telephone you or Shawn is not the same thing, as doing so leaves no record that we made sure that we were kept abreast of affairs.

Two bits of recent news are relevant here; one well known, the other not. The notorious one is the ability of one dishonest man in a distant office to bring down a banking dynasty, *Baring Brothers* (my brother's in-laws), because people who should have supervised him were not asking the right questions. The unknown one is that Lorne House Trust, as a trustee, is fighting the IRS in Northern California where the IRS is contending that a corporation owned by the (foreign) trust is the mere 'alter ego'

of the Settlor, even though I can assure you that the settlor in question has been far more willing to leave us in genuine control - a fact which promises to win us the case - than S. appears to be.

On the slightly less important matter of rewards, we were glad to read that you might be able to point some significant business in our direction. Thanks for thinking of us;

R. Buchanan.

Attn: Mike French, Esq., Maverick — March 6th, 1995.

From: Barbara Rhodes, Lorne House Trust Limited. — 1 Page Fax

Sterling Software

Thank you for your fax dated March 3rd.

We intend to transfer **East Carroll Limited** and **East Baton Rouge Limited** from Bulldog to Plaquemines, this would mean that Plaquemines would hold 350,000 shares and Bulldog would hold 644,725 shares of Sterling Software.

Best regards,

Barbara Rhodes.

Mike French, Esq.,
Maverick,
8080 N. Central Expressway,
Dallas,
TX 75206.

March 7th, 1995.

Fax to: 010 1 [redacted] Redacted by the Permanent Subcommittee on Investigations

Bulldog & Plaquemines Trusts

Bulldog will settle Plaquemines, in the words which you suggested.

Since the purpose of the exercise, as I understand it, is to divide the ownership of **Sterling Software** we need to split ownership of the underlying companies which own **SS** between the two trusts. That was the purpose of Barbara's fax of yesterday.

R. Buchanan.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 592

CONFIDENTIAL
PSI00120859

19. **NAME OF THE TRUST.** This Trust shall be known as **PLAQUEMINES**

IN WITNESS WHEREOF, the Settlor and the Trustee by its duly authorised representative with authority to bind the Trustee have executed this Trust Agreement on the 28th day of February 1995.

THE SETTLOR:
Bulldog Non-Grantor Trust
Lorne House Trust Limited
Trustees

Witness

an authorised signatory
of Lorne House Trust
Limited, Trustees

TRUSTEE:

Witness

an authorised signatory
of Wychwood Trust Limited

THE TRUST COMMITTEE OF LORNE HOUSE TRUST LIMITED

RE: THE BULLDOG NON-GRANTOR TRUST

RESOLUTION IN WRITING

We the undersigned, being all the members of the above-mentioned Committee, pursuant to the powers vested in us by the Articles of Association of Lorne House Trust Limited in its capacity as the Trustee of the above-mentioned Trust, do hereby resolve:-

THAT the transfer of two US$1.00 Ordinary shares of East Baton Rouge Limited to the Plaquemines Trust be and is hereby approved.

Dated the 5th day of April 1995

COMMITTEE MEMBERS

.....

.....

.....

.....

THE TRUST COMMITTEE OF LORNE HOUSE TRUST LIMITED

RE: THE BULLDOG NON-GRANTOR TRUST

RESOLUTION IN WRITING

We the undersigned, being all the members of the above-mentioned Committee, pursuant to the powers vested in us by the Articles of Association of Lorne House Trust Limited in its capacity as the Trustee of the above-mentioned Trust, do hereby resolve:-

THAT the transfer of two US$1.00 Ordinary shares of East Carroll Limited to the Plaquemines Trust be and is hereby approved.

Dated the 5th day of April 1995

COMMITTEE MEMBERS

~~Ms. Shari Robertson,~~
Maverick,
8080 N. Central Expressway,
Dallas,
TX 75206.

Fax: 00 1 [redacted]
also: 00 1 [redacted]

Redacted by the Permanent Subcommittee on Investigations

April 4th, 1995.

thank you for your two faxes of last night, plus the copy of your's to Keith King. I trust, incidentally, that you still expect Keith's team to delegate the administration of such routine matters to this office, failing which your costs will approximately double.

We will ask First Boston to make the deliveries as you suggest, and Lehman Brothers to pay the investable surplus (c.$12.5 mn. for Bulldog/Pitkin and $2.1 million for Plaquemines) to Bank of Bermuda, New York, for the account of Bank of Bermuda (Isle of Man).

I have spoken to BoB(IoM) but we have not come up with any such product as you - and every other investor - yearn for. We will put the money on overnight deposit, which matches your requirements for safety, liquidity and absence of dealing costs or spreads. The disadvantage is that the yield will be close to Federal Funds rate, currently 5.875%, rather than 7.3125% (LIBOR + 1%).

We could get 7.3% by investing in a 'AA' Euro$ bond with 3 years remaining life (or a lower rated, shorter-dated issue, or a longer-dated 'AAA') but it is unlikely that the bid/offer spread would be any less than 0.125%, which would negate the yield advantage if you were to sell within a month. In addition, there would be a risk of price movements. Although the likelihood of a rise in $ interest rates - as would not suit you - was reduced by the Bundesbank's rate cut, the Fed is unlikely to want (or be able) to spend its reserves on defending the $ for much longer and the obvious alternative would be to increase the attractiveness of holding $ by raising the interest rate.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 595

Regarding your detailed calculations, I wondered why the proceeds of the first 93,000 shares to be delivered suggest a put price of $14.90 and the second a put price of $29.944 while all the others seem to be at $31.815.

We calculate that, following these deliveries, positions of **Sterling** common will be held thus:

	Lehman Brothers	**First Boston**	**Total**
Roaring Fork	200,000	28,432	228,432
Little Woody	150,000	78,431	228,431
West Carroll	100,000	100,000	200,000
Morehouse	100,000	104,725	204,725
Richland	200,000	40,000	240,000
	750,000	351,588	1,101,588
East Carroll	200,000	150,000	350,000

41

R. Buchanan.

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Attn: Mike French, Esq.
Maverick

April 3rd, 1995.

From: Barbara Rhodes
Lorne House Trust Limited.

1 Page Fax

Please could you let either Ronald Buchanan or myself know at what time you will be arriving on the Island on Wednesday April 5th.

We would also like to offer you lunch if you have not made any other arrangements.

Regards,

Barbara Rhodes.

Barbara Rhodes.

CONFIDENTIAL
PSI00120769

FAXED 1258

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Mr. Ed Arnold,
The First Boston Corporation,
~~227 West Monroe Street,~~
Chicago,
IL 60603.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

March 31st, 1995.

Please accept this letter as your authorisation to deliver free the following **Sterling Software** shares out of the following accounts:

Morehouse Limited - RA1A4

56,000 shares of Sterling Software

Bankers Trust
DTC: 903
FBO: Lehman Brothers Securities
A/N: [redacted]
FBO: Lehman Brothers Finance - Morehouse Limited
A/N: [redacted]

Richland Limited - RA1A6

40,000 shares of Sterling Software

Bankers Trust
DTC: 903
FBO: Lehman Brothers Securities
A/N: [redacted]
FBO: Lehman Brothers Finance - Richland Limited
A/N: [redacted]

We will be paying down debit balances in these accounts in the near future. If you have any questions, please call Barbara Rhodes at 011-44-[redacted]. Also, if you need a contact at Lehman Brothers, please contact Suzanne Snavely at (214) [redacted]. Thank you for your prompt attention to this matter.

R. Buchanan
Director.
Morehouse Limited.
Richland Limited.

Copies to: Ms. Sharyl Robertson & Suzanne Snavely.

1256

Lorne House Trust Limited

Lorne House · Castletown Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Mr. Ed Arnold,
The First Boston Corporation,
227 West Monroe Street,
Chicago,
IL 60603.

March 31st, 1995.

J. R. A.

Please accept this letter as your authorisation to deliver the following **Sterling Software** shares versus the specified amount of money out of the following accounts:

Morehouse Limited - RA1A4

44,000 shares of Sterling Software vs receipt of $602,329.98

Lehman Brothers
DTC: 074
FBO: Morehouse Limited
A/N: [redacted]

Richland Limited - RA1A6

160,000 shares of Sterling Software vs receipt of $2,586,810.00

Lehman Brothers
DTC: 074
FBO: Richland Limited
A/N: [redacted]

If you have any questions, please call Barbara Rhodes at 011-44-[redacted] Also, if you need a contact at Lehman Brothers, please contact Suzanne Snavely at (214) [redacted]. Thank you for your prompt attention to this matter.

R. Buchanan
Director.
Morehouse Limited.
Richland Limited.

Copies to: Ms. Sharyl Robertson & Suzanne Snavely.

Registered in Isle of Man No. 20567 Licensed to conduct Investment Business by the Isle of Man Financial Supervision Commission Telex No. 629265

FAXED 1432

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Attn: Shawn Wells
Maverick

March 29th, 1995.

From: Barbara Rhodes
Lorne House Trust Limited.

1 Page Fax

Thank you for your fax of yesterday.

We now confirm that US$200,000 has been transferred to The Scottish Annuity Company (Cayman) Limited for value today.

Best regards,

Barbara Rhodes.

Barbara Rhodes.

CONFIDENTIAL
PSI00120772

FAXED

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Ms. Michelle Boucher,
~~MeesPierson (Cayman) Limited,~~
British American Center,
PO Box 2003,
George Town,
Grand Cayman,
Grand Cayman Islands,
B.W.I.

March 29th, 1995.

Maverick Income Fund

Please be advised that this fax amends and replaces our fax dated 28th March.

Please also be advised that we have instructed Bank of Bermuda (New York) to transfer a total of $1,400,000 ($933,333 from Richland Limited and $466,667 from Little Woody Limited) to your account with Chemical Bank, New York for the sub-account of C&B Holdings Limited for value 30th March.

Please let me know if you require any further information.

Ronald Buchanan
Director
Little Woody Limited
Richland Limited

cc: Sharyl Robertson.

CONFIDENTIAL
PSI00120773

FAXED 1653

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Mr. Ed Arnold,
First Boston,
227 West Monroe Street,
Chicago,
IL 60606.

March 29th, 1995.

Richland Limited

Please transfer US$933,333 (Nine Hundred & Thirty Three Thousand, Three Hundred & Thirty Three US Dollars), free of countervalue, for value March 29th to:

Bank of Bermuda (New York) Limited
350 Park Avenue,
New York
ABA 994
A/c Bank of Bermuda (Isle of Man) Limited
A/c No. [redacted]
Ref: Lorne House Trust Clients Account
A/c No. [redacted]

Ref: Richland Limited

If you have any questions regarding the above transfer please contact either Barbara Rhodes at the above address or Suzanne Shavely at Lehman Brothers, Tel: 214 [redacted].

With many thanks,

R. Buchanan
Director.
Richland Limited.

Copy to: Ms. Sharyl Robertson.

CONFIDENTIAL
PSI00120774

FAXED 1453

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Attn: Shari Robertson
Maverick

March 29th, 1995.

From: Barbara Rhodes
Lorne House Trust Limited.

1 Page Fax

Thank you for your fax of yesterday.

There follows copies of the instructions to Lehman's to transfer $466,667 from Little Woody Limited and to First Boston to transfer $933,333 from Richland Limited for value today.

Please let us know if you disagree.

Best regards,

Barbara Rhodes.

Barbara Rhodes.

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Mr. Joe Barkow,
First Boston,
5 World Trade Centre,
New York,
NY 10048.

March 28th, 1995.

West Carroll Limited

Please transfer US$133,333.33 (One Hundred & Thirty Three Thousand, Three Hundred & Thirty Three US Dollars 33 cents), free of countervalue, for value March 28th to:

Bank of Bermuda (New York) Limited
350 Park Avenue,
New York
ABA 994
A/c Bank of Bermuda (Isle of Man) Limited
A/c No. [redacted]
Ref: Lorne House Trust Clients Account
A/c No. [redacted]

Ref: West Carroll Limited

With many thanks,

R. Buchanan
Director.
West Carroll Limited.

Copy to: Ms. Sharyl Robertson.

FAXED 13

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Attn: Shari Robertson/Mike French Esq — March 28th, 1995.
Maverick

From: Barbara Rhodes — 2 Page Fax
Lorne House Trust Limited.

Thank you for your overnight fax.

There follows a copy of our fax to Michelle Boucher at MeesPierson (Cayman) regarding the investment into the new Maverick Growth and Income Fund.

Please let us know if you disagree.

Best regards,

Barbara Rhodes

Barbara Rhodes.

Lorne House Trust Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone + 1624 823579 · Fax + 1624 822952

Ms. Michelle Boucher,
MeesPierson (Cayman) Limited,
British American Center,
PO Box 2003,
George Town,
Grand Cayman,
Grand Cayman Islands,
B.W.I.

March 28th, 1995.

Maverick Income Fund

Please be advised that we wish to liquidate the following in the above mentioned fund:

East Carroll Limited - $933,333
Roaring Fork Limited - $466,667

On completion please reinvest these funds into the new Maverick Growth and Income Fund.

Please let me know if you require any further information.

Ronald Buchanan
Director
Roaring Fork Limited
East Carroll Limited

cc: Sharyl Robertson.

CONFIDENTIAL
PSI00120778

August 15, 1995

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Memo to: Shawn Cairns, Wychwood Trust
From: Sharyl Robertson, Michael French
Re: Plaquemines Trust, Delhi Trust, La Fourche Trust, Red Mountain Trust

As the protectorate committee, we recommend that Wychwood Trust resign as Trustee for the Plaquemines Trust and the Delhi Trust.

After the resignation is in affect, we further recommend that La Fourche Trust purchase 333,334 and Red Mountain Trust purchase 166,666 Sterling call options (American).

If you have any questions, you may reach me early morning at the house (214) 771-8069, or by fax (214) [redacted]. When you start trading, please let me know.

Sharyl Robertson
214 [redacted]

[redacted]

Fax Fiona.

1 01

TOTAL P.01

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 596

CONFIDENTIAL
PSI00124623

To: AJB, JKB, Shaun Cairns, RJC, FKVC, DJ, JEP, BAR

16th August, 1995.

From: RB

Plaquemines, Delhi, Assumption & Pueblo Trusts

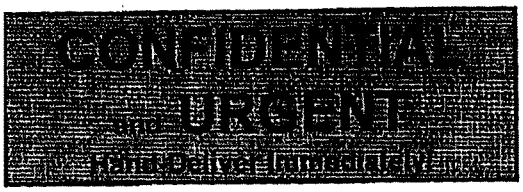
Shari Roberston, who administers the Wyly Brothers' affairs from Dallas, rang yesterday afternoon BST to say that Mike French - presumably on Sam's prompting - does not wish to await John Willis's return to set up the Assumption and Pueblo Trusts or AJB's arrangement of a new credit line with which to buy options on Sterling Software. They will, instead, use the existing facilities with Lehman Brothers in Dallas and Wychwood as trustee.

We have available **Elysium Limited** to be owned by the Assumption Trust (where Sam will nominate the initial beneficiaries) and **Atlantis Limited** to be owned by the Pueblo Trust (ditto Charles). FKVC is asked to alter the draft trust documents to reflect the change of trustee to Wychwood and SFC is asked to accept trusteeship.

Wychwood must not be trustee of two sets of trusts which are buying options simultaneously since the amount involved would trigger a reporting requirement. We have been asked, therefore, to transfer the trusteeship of the Plaquemines and Delhi Trusts from Wychwood to a temporary trustee and from the temp. to John Willis once he has returned. I offered to be the temporary trustee in a personal capacity but Mike French thought that I was unsuitable in that I control the corporate trustee of the Bulldog and Pitkin Trusts. He asked if JKB wuld be willing to serve.

FKVC is asked to prepare deeds of resignation and appointment of trustees from Wychwood to JKB for the Plaquemines and Delhi Trusts and JKB is asked to accept temporary trusteeship.

The Wylys would still like to arrange financing similar to that which has been arranged with Lehman Brothers but from another bank.



FAX TRANSMITTAL — Maverick

001 21K

Redacted by the Permanent Subcommittee on Investigations

TO: **Ronald Buchanan**

FROM: **Mike French**

COMPANY: **Lorne House Trust**

PHONE:

PHONE: **44** Redacted by the Permanent Subcommittee on Investigations

FAX:

FAX: **44**

DATE: **July 10, 1995**

NUMBER OF PAGES (including cover):

TIME: **2:07 PM**

COMMENTS:

NORDA LIMITED
SEMPLE LIMITED
DEVOTION LIMITED
ELEGANCE LIMITED

Dear Ronnie:

Please dispose of this fax after reading, as there will be ample documentation as needed.

It is expected that a recommendation will be made to Wychwood that the Plaquemines Trust, and another trust settled with Wychwood by Pitkin, should contact Lehman regarding acquiring call options on SSW, probably for about two years at the market. Wychwood would finance the transaction through loans, from Lorne House entities. It is likely that a portion of the price could be financed through Lehman.

It may be that, as an alternative, there will be two new trusts at Wychwood established by Keith that will mirror the Bessie and Tyler trusts This would require Keith to contribute some funds to the trust, but presumably there is a source for that. If this structure is used, the same financing structure for the calls would be utilized.

Wychwood would, in either case, be limited to approximately 600,000 to 700,000 calls, in order to stay under 5% of the outstanding shares and avoid SEC reporting.

I am also sending a copy of this fax to Shaun Cairns, with the same request that he read it and then dispose of it. I will be back on this soon, perhaps tonight.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

10 000

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 597

CONFIDENTIAL
PSI00136718

East Carroll 837-20093-1-9

THIS DEED OF RETIREMENT AND APPOINTMENT OF NEW TRUSTEES is made the 21st day of November 1995

BETWEEN

1. Michael C. French and Sharyl Robertson ("the Committee of Protectors")

2. Wychwood Trust Limited ("Wychwood") and Janek K. Basnet ("Mr. Basnet") ("together the Retiring Trustees")

3. Aundyr Trust Company Limited ("the New Trustee")

SUPPLEMENTAL to the settlement ("the Settlement") and to the other documents and events specified in the First Schedule

WHEREAS

(A) The Committee of Protectors has the power under the Settlement to remove or replace any Trustee of the Settlement with or without cause, upon giving written notice of such replacement to the Trustee for the time being.

(B) The Committee of Protectors has purported to remove Wychwood as the original Trustee of the Settlement and to replace it with Mr. Basnet as successor Trustee.

(C) The Settlement provides in Clause 7.7 that any successor Trustee of the Settlement shall be an independent corporate trustee.

(D) Mr. Basnet being an individual falls outside the terms of the said Clause 7.7 and therefore his appointment as Trustee is invalid.

(E) Notwithstanding the invalidity of his purported appointment, Mr. Basnet has had transferred to him or placed under his control the property of the Settlement described in the Second Schedule and is therefore as an intermeddler a constructive trustee of the said Settlement property.

(F) Wychwood as a result of the invalidity of the purported appointment of Mr. Basnet remains a Trustee jointly with Mr. Basnet as constructive trustee.

(G) The Committee of Protectors wishes to appoint the New Trustee as successor Trustee to Wychwood and to Mr. Basnet.

P.2

12 DEC '95 14:48 01624663625

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 598

(H) It is intended that the property of the Settlement described in the Second Schedule shall be transferred to or placed under the control of the New Trustee.

NOW THIS DEED WITNESSES AS FOLLOWS

1. In exercise of the power conferred by the Settlement on the Committee of Protectors the Committee of Protectors HEREBY REMOVES the Retiring Trustees and HEREBY APPOINTS the New Trustee to be Trustee of the Settlement in place of the Retiring Trustee to act in the trusts of the Settlement or such of them as are still subsisting and the New Trustee hereby consents so to act

2. The Retiring Trustees are hereby discharged from the trusts of the Settlement

3. In accordance with Clause 7.9 of the Settlement the New Trustee shall have no duty liability obligation or responsibility for the acts or omissions of the Retiring Trustees or either of them nor shall the New Trustee be bound to rectify any such acts or omissions.

4. Wychwood hereby ratifies any and all actions of Mr. Basnet as constructive trustee

THE FIRST SCHEDULE

28th February 1995	Trust Agreement of the Plaquemines Trust	Bulldog Non-Grantor Trust and Wychwood Trust Limited
16th August 1995	Notice of Removal of Original Trustees and Appointment of Successor Trustee	Committee of Trust Protectors and J.K. Basnet

THE SECOND SCHEDULE

2 Ordinary shares of US$1 each fully paid	East Carroll Limited
2 Ordinary shares of US$1 each fully paid	East Baton Rouge Limited

Signed as a deed and delivered by

M.C. French Sharyl Robertson
For and on behalf of the Committee of Trust Protectors

in the presence of
Witness: .....
.....
.....

Signed as a deed and delivered by

....
For and on behalf of Wychwood Trust Limited

in the presence of
Witness: .....
.....
.....

Signed as a deed and
delivered by

J.K. Basnet

in the presence of
Witness: .....

Signed as a deed and
delivered by

For and on behalf of Aundyr Trust Company Limited

in the presence of
Witness: .....

w\arh\ddretire.app

Mann & Partners

Advocates
Solicitors
Attorneys

Isle of Man
International

Belgravia House
Circular Road
Douglas
Isle of Man
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International +44 1624 623221
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Christopher J Arrowsmith
Paul R Beckett
Stephen A Castle
Associates
Jane D N Bates (Scottish Solicitor)
John T Aycock (Solicitor, England & Wales)
(Attorney, Turks & Caicos Islands)
(Trainee Advocate)
Practice Manager
Murray Lamoden ACIS

Associate Office in
Vaduz, Principality
of Liechtenstein

Member of the Anti-Fraud
Resource Network, a global
grouping of independent
law firms fighting fraud

Your Ref:
w/dah/mannbeck.651

Our Ref
I005/0130L6/PRB/JR

5th June 1998

D. A. Harris, Esq.
Chief Executive Officer
IFG International Limited
International House
Castle Hill, Victoria Road
Douglas
Isle of Man
IM2 4RB

BY POST AND BY FAX 624469

Dear David

Re: The Plaquemines Trust

I have completed my review of the Plaquemines Trust and in this letter am addressing preliminary issues which must be resolved prior to the finalisation of the Petition to the Chancery Division of the High Court of Justice of the Isle of Man seeking rectification of the Trust Deed under Section 61 Trustee Act 1961.

The Settlor of the Plaquemines Trust is the Bulldog Non Grantor Trust, itself a settlement established under the laws of the Isle of Man.

The draftsman of the Plaquemines Trust has referred throughout in error to the Settlor as if the Settlor were an individual. I assume that the draftsman confused the Bulldog Non Grantor Trust (the true Settlor of the Plaquemines Trust) with Mr. Sam Wyly, the Settlor of the Bulldog Non Grantor Trust itself.

This has made some of the references to "Settlor" in the Plaquemines Trust meaningless.

An additional problem is that the Plaquemines Trust could be construed as being in breach of the Rule Against Perpetuities on two grounds. Firstly, in clause 1(o) defining the basis upon which the Settlement is to be terminated, in attempting to employ a "lives in being" clause, reference has been made to the Beneficiaries which include non-human entities such as corporations. Reference is also made to the Settlor which is itself a non-human entity. The Strategy for correcting this default were it the only problem would be the same as that for correcting the identical problem which occurs in the Bulldog Non Grantor Trust on which I have written to you separately.

However, there is an additional defect in that a sub trust of this kind created out of an existing trust cannot be of a duration which will exceed that of the trust out of which it was created. Properly, the Plaquemines Trust Deed

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should have made provision for the Plaquemines Trust to terminate co-terminously with the Bulldog Trust.

When preparing the Petition to the Chancery Division I will therefore seek the direction of the Court on the amendment of clause 1(o)(i) to remove reference to non human beneficiaries, in the alternative to the exercise by the Trustee of its powers under clause 1(o)(ii) to terminate the Trust from a given future date or in the further alternative the exercise by the Trustee, again under clause 1(o)(ii) to agree that the Plaquemines Trust should be co-terminous with the Bulldog Trust.

The following is a list of all references to "Settlor" contained within the Plaquemines Trust together with my comments on those references:-

Clause 1(a)(iii)

The reference to the Settlor should be replaced by a reference to Mr. Sam Wyly (including details of his address and US Passport Number).

Clause 1(i)

In defining "Precluded Persons" reference is made in sub-clause (i) to the Settlor. I assume that this is tax driven as being a requirement of the non grantor trust rules. The reference should therefore be retained. However, it is not clear to me why in sub-clause (ii) reference is made to "the expiration of the second anniversary following the death of the Settlor". We will need to discuss with US tax Counsel whether this two year post death period is mirrored in any way in circumstances where the Settlor is a non human entity such as the Bulldog Non Grantor Trust.

Clause 1(n)(i)

I have dealt with the reference to the Settlor and generally with the question of the termination of the Trust above.

Clause 3.2

The reference to the Settlor in this clause dealing with restrictions on additions appears to be correct. The Trustee is instructed to reject any additions that would in any way, inter alia, adversely affect the tax liabilities of the Settlor. I have assumed that under US tax law the tax liabilities of Mr. Sam Wyly are irrelevant in this context.

Clause 3.3

The references to the Settlor in the context of the return of additions appear to be correct and again I have assumed that the liability of Mr. Sam Wyly in this context is irrelevant.

Clause 4.2

The reference to the Settlor having relinquished all rights in connection with the Trust Property is correct and should be retained. Similarly the reference in this clause to the Settlor's intention that for United States tax purposes the Trust be treated as a non grantor trust is correct and should be retained.

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Clause 4.4(b)

The reference here dealing with the origin and consequences of Force Majeure to "a country of citizenship of the Settlor" should be replaced by "in the jurisdiction of constitution of the Settlor". An identical amendment should be made in clause 4.4(b)(viii).

Clause 5.2

In dealing with restrictions on distributions to United States Persons, reference is made to the expiration of the second anniversary of the death of the Settlor. See my comments above on clause 1(i) which are equally applicable here.

Clause 5.2(d)

The provision contained within this clause preventing any part of the Trust Fund reverting back to the Settlor appears to be correct and should be retained. However, the final sentence reading "None of the income of the Trust Fund may be applied or distributed or held to accumulate for the health, education, support or maintenance of the Settlor" should be deleted as it is clearly inapplicable in the case of a non-human settlor.

Clause 5.8

In this clause dealing with the consequences for any Beneficiary seeking to contest the Settlement, it is stated that such a contesting Beneficiary is to be treated as if it had "predeceased the Settlor without surviving issue". I have my doubts whether such a clause would in any event be upheld under Isle of Man law as there are clear rights exercisable by beneficiaries under Isle of Man law to require information from trustees and to challenge the acts of trustees. Clause 5.8 is so widely drawn that it would appear to seek to exclude even these established rights. However, until such time as the clause were challenged in the Court it would remain in force and I suggest that an alternative form of words would be that the contesting Beneficiary be treated as if he "had died without surviving issue prior to the date of this Trust".

Clause 5.9(b)

The restriction on the part of the Trustee to make any loan to the Settlor or to purchase any property from the Settlor for terms other than at fair market value, and for adequate and full consideration in money or moneys worth appears to remain relevant and should be retained. The ability of the Trustees to make loans to Mr. Sam Wyly or to acquire property from him would appear not to be relevant in circumstances where Mr. Wyly is not the Settlor. Again, this is a matter which we should clarify in detail with US tax Counsel.

Clause 5.9(c)

The Trustees are restricted from applying the income of the Trust to the payment of premiums on policies of insurance on the life of the Settlor. As this is an absolute prohibition and as it is in any event impossible to write

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such a policy, the Settlor being non human, clause 5.9(c) can be deleted in its entirety.

Clause 5.9(e)

This reproduces in part the wording of clause 5.9(b) in relation to the purchase of property from the Settlor. My comments on the reference to the Settlor in clause 5.9(b) above apply equally here.

Clause 5.9(f)

This restricts the power of the Trustee to permit the Settlor to have the custody or use of any personal or real property (including the right of residence) comprised within the Trust Fund except on arms length commercial terms. The Settlor being the Bulldog Non Grantor Trust, the provisions of clause 5.9(f) are irrelevant and can be deleted in their entirety.

Clause 5.10

The limitations on the Settlor contained in this clause appear to be included in order that the Settlement can comply with US non grantor trust rules. The limitations are not dependent on the Settlor being human, a corporation or some other entity and so the fact that the Settlor is the Bulldog Non Grantor Trust does not affect the validity or applicability of the terms of clause 5.10 which should therefore be retained.

Clause 6

The final sentence in this section of the Trust Deed dealing with general powers of the Trustee states that "in exercising any of its powers and duties hereunder the Trustee is entitled to, but not required to, act upon any Letter of Wishes or other written statement of desires by the Settlor regarding this Trust". This is unobjectionable and should be retained.

Clause 7.7

The prohibition on the Settlor becoming a Trustee of the Settlement is unobjectionable and should be retained.

Clause 7.10

The reference to no action being required on the part of the Settlor upon the reorganisation of a corporate trustee is appropriate and should be retained.

Clause 7.11

The reference to an absolute prohibition on the delegation of authority being made in favour of the Settlor appears to be included in order that the Settlement may comply with US non grantor trust rules, and if so is appropriate and should be retained.

Clause 8.2

In dealing with the constitution and membership of the Committee of Trust Protectors, a prohibition is placed on any individual serving as a member of

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the Committee other than the Settlor and, until the expiration of the second anniversary following the death of the Settlor, any Beneficiary. Reference to the Settlor is clearly incorrect and as to the reference to the second anniversary of the Settlor's death, see my comments on clause 1(i) above.

Clause 8.7

The prohibition on an individual member of the Committee of Protectors from delegating his or her authority to the Settlor is unobjectionable and should be retained.

Clause 9.1

Concerning the keeping of records and accounts, the reference to the requirement for an annual audit only applying if the Settlor or any Beneficiary so requests is unobjectionable and should be retained.

Clause 10.1(a)

The reference to the remuneration of the Trustee being initially on the basis of any agreement entered into between the Trustee and the Settlor is unobjectionable and should be retained.

Clause 15.2

The method of verification of the authenticity of the Settlement Deed is stated to be by the witnessed signature of the Trustee and the notarised signature of the Settlor. It would be more correct to refer to the witnessed application of the common seal of the Trustee (as the Trustee must in terms of clause 7.7 at all times be a corporation) and similarly reference to the execution by the Settlor should be to the application of the common seal of the Trustee of the Bulldog Non Grantor Trust (that is Aundyr Trust Company Limited).

Clause 17.4(a)

As it is not possible for the Trustee to take out a life insurance policy on the life of the Settlor, the second sentence of this clause should be deleted. By contrast, the reference to the Settlor in clause 17.4(b) is unobjectionable as the Trustee does have the power to take out life insurance policies on the lives of "Beneficiaries". This is of course subject to the qualification that some of the "Beneficiaries" are not human and that therefore in certain cases policies of life insurance could not be effected.

Clause 18.2

This states that the Settlement is to inure for the benefit of and shall be binding upon the successors and assigns of the Settlor. This has no meaning under Isle of Man law but in that it is possible for the governing law of the Settlement to be changed from time to time I suggest that clause 18.2 be retained.

Clause 18.3

The acknowledgement by the Settlor that the recitals to the Settlement are true and accurate in all respects is unobjectionable and should be retained.

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Clause 18.6

Reference in this clause to consequences for the Settlor of waiver and references to cumulative rights of the Settlor is unobjectionable and should be retained.

As is apparent from my comments on these specific provisions of the Settlement, changing reference to the Settlor where this is administratively meaningless may have US tax consequences and I believe that the prudent Trustee would first instruct me to liaise with the US tax advisers to the Settlement before finalising the terms of the Petition.

I believe that these matters are best discussed between us in a meeting and perhaps when you have had an opportunity to consider the issues I have raised you could contact me to arrange a mutually convenient time. I have begun work drafting the Petition but will put this on hold pending the outcome of our meeting.

Kind regards,

Yours sincerely,

Paul R. Beckett
Mann & Partners

MANN AND PINKS

001

D1
1337
SMOV

Mann & Partners

Advocates
Solicitors
Attorneys

Your Ref:
w/dah/mannbeck.651

Our Ref
I005/0130L6/PRB

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Murray Lambden ACIS

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Member of the Anti-Fraud Resource Network, a global grouping of independent law firms fighting fraud

5th November 1998

D. A. Harris, Esq.
Aundyr Trust Company Limited
International House
Castle Hill, Victoria Road
Douglas
Isle of Man
IM2 4RB

BY POST / FAX 624469

Dear David

Re: The Plaquemines Trust

Further to our telephone conversation on 2 November 1998, I write to confirm my opinion that the Plaquemines Trust purportedly created on 28 February 1995 is voidable, its terms being in breach of the Rule Against Perpetuities. I consider the breaches to be sufficiently serious that the Court would be unlikely to correct the drafting errors which have given rise to it. In practice, therefore, the Trustees would be acting prudently in regarding the Trust as void, and acting accordingly.

To recapitulate the reasoning behind my opinion, first addressed in my letter to you of 5 June 1998:

1. In clause 1(c) of the Trust Deed defining the basis upon which the Trust is to be terminated, in attempting to employ a "lives in being" clause, reference has been made to the Beneficiaries which include non-human entities such as corporations. Reference is also made to the Settlor, itself a non-human entity (the Trust having been settled by the Trustees of the Bulldog Non Grantor Trust).
2. The Plaquemines Trust, created as it is out of the Bulldog Non Grantor Trust, cannot be of a duration which would exceed that of the trust out of which it was created. The Plaquemines Trust should have been stated to be co-terminous with the Bulldog Non Grantor trust. This was not done.

Notwithstanding that the Plaquemines Trust is to be regarded as void, such that the appointment out of the Bulldog Non Grantor Trust was ineffective (with the consequence that the assets comprised in the Trust Fund of the Plaquemines Trust have never passed out of the Trust Fund of the Bulldog Non Grantor Trust) for the avoidance of doubt your suggestion that there be a formal Deed of Reappointment of the assets is a sound one, because in the circumstances, Aundyr Trust Company Limited is bare trustee of the assets purportedly held in the Plaquemines Trust, holding on bare trust for the Trustees of the Bulldog Non Grantor Trust.

The firm is authorised by the Isle of Man Law Society to carry on investment business

002

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 601

PSI-WYBR 00479

Mann & Partners

I attach a draft Deed of Reappointment for your review.

Note that the only purported Beneficiaries under the Plaquemines Trust are those persons named in Section 2 of Schedule "A" of the Trust Deed, together with the British Red Cross and the Community Chest of Hong Kong (identified in clause 1(a)(i)) and any other charitable organisation which may have been designated by the Trustees under the terms of clause 1(a)(ii). The reference to issue of the Settlor being members of the class of beneficiaries, contained in clause 1(a)(iii) of the Trust Deed is without meaning or effect, as the Settlor is non-human.

As however any entitlement of such purported Beneficiaries under the Plaquemines Trust is as illusory as the Trust is itself invalid, any notification to the Beneficiaries of the reappointment should be made on the basis that such notification is for information only.

You will appreciate that Mann & Partners is not in a position to advise on any taxation consequences flowing from the reappointment in any taxation jurisdiction other than that of the Isle of Man.

Kind regards,

Yours sincerely,

Paul R. Beckett

AUNDYR TRUST COMPANY LIMITED

(Incorporated in the Isle of Man No: 8035)

Directors:

D.A. Harris
N.J. Carter
J.M. Watterson
K.A. Jones

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man

Tel: (01624) 630600
Fax: (01624) 624469

wdah\bullmnd.291

The Protectorate Committee
Bulldog Trust/Plaquemines Trust

29th July 1999

Dear Sirs,

You will recall our previous discussions in relation to the circumstances surrounding the creation of the Plaquemines Trust and our great concerns that the original appointment from the Bulldog Trust into Plaquemines Trust was invalid. Local Counsel agree with our concerns and we have now finalised our position on this matter such that it is our view that the original appointment by Bulldog into Plaquemines was indeed invalid.

We are therefore proposing to appoint the assets of Plaquemines to Bulldog, to the extent that any such appointment is even necessary, and attach a proposed Deed of Appointment to effect this. Whilst your consent is not specifically required in respect of this transaction we believe it is of sufficient significance for you to be made aware of what is being proposed and should be grateful to receive any comments that you may have.

Yours faithfully,
Aundyr Trust Company Limited

Director

Director

THIS DEED OF REAPPOINTMENT is made the day of One thousand nine hundred and ninety-nine

BY

AUNDYR TRUST COMPANY LIMITED whose registered office is at International House, Castle Hill, Victoria Road, Douglas, Isle of Man IM2 4RB ("the Appointors")

SUPPLEMENTAL to a settlement known as the Plaquemines Trust dated 28 February 1995 ("the Settlement") between Bulldog Non-Grantor Trust (a settlement dated 13 March 1992) as Settlor and Wychwood Trust Limited as Trustee, and FURTHER SUPPLEMENTAL to a Deed of Retirement and Appointment of New Trustees dated 22 November 1995 made between Michael C French and Sharyl Robertson as Committee of Protectors, Wychwood Trust Limited and Janek K Basnet as retiring trustees (Mr Basnet having been appointed a trustee in error) and the Appointors

WHEREAS

1. The Appointors have in good faith held themselves out as Trustees of the Settlement.
2. The Appointors have been advised by Mann & Partners, their Isle of Man Advocates, that the Settlement would be regarded as void by the Courts of the Isle of Man as being in breach of the Rule Against Perpetuities
3. The Appointors rely on the opinion of Mann & Partners addressed to them dated 5 November 1998 that the Appointors therefore hold the Trust Fund of the Settlement (as therein defined) as bare trustees for the Bulldog Non-Grantor Trust
4. The Appointors for the avoidance of doubt and conscious of the wide discretion of the Isle of Man Courts in such matters wish formally to reappoint the Trust Fund of the Settlement to the trustees of the Bulldog Non-Grantor Trust
5. The restriction contained in Clause 5.2(d) of the Settlement preventing the appointment by way of reversion or otherwise of any part of the Trust Fund to the Settlor (namely the Bulldog Non Grantor Trust) is void as the Settlement itself is void
6. The Appointors wish to discharge their liabilities as bare trustee to the Settlor

7. The Appointors are trustee of the Bulldog Non-Grantor Trust

NOW THIS DEED IRREVOCABLY WITNESSES as follows:

The Appointors in exercise of their power as bare trustees of the assets composed within the Settlement and of any and every other power enabling them HEREBY IRREVOCABLY APPOINT and DECLARE that the Trust Fund of the Settlement (including without any apportionment all income received on or after the date of this Deed notwithstanding that the same may have accrued wholly or partly before the date of this Deed) shall from the date of this Deed be held by the Appointors upon the trusts of the Bulldog Non-Grantor Trust with and subject to the powers and provisions declared and contained in the Bulldog Non-Grantor trust as an addition thereto and as one fund for all purposes.

Any taxation of any kind occasioned by this appointment shall be borne by the Trust Fund.

EXECUTED AS A DEED the day and year first above written

The Common Seal of
ALNDYR TRUST COMPANY LIMITED
was hereunto affixed in the
presence of:

Director

Director / Secretary

AUNDYR TRUST COMPANY LIMITED

(As Trustee of The Bulldog Trust and The Plaquemines Trust

MINUTES of a Meeting of the Directors held at International House, Castle Hill, Victoria Road, Douglas, Isle of Man on the 30th day of December, 1999.

PRESENT: K.A. Jones (in the Chair)
N.J. Carter

APOLOGIES: D.A. Harris
J.M. Watterson

1. OPENING

1.1. It was noted a quorum was present for the transaction of business and by agreement Mr. Jones acted as Chairman of the Meeting.

2. THE BULLDOG TRUST AND THE PLAQUEMINES TRUST

2.1. The Chairman reminded the meeting that the Company acted as Trustee of the Bulldog Trust and Trustee of the Plaquemines Trust and it was noted that this meeting was to discuss matters solely in relation thereto.

3. VAILIDITY OF THE PLAQUEMINES TRUST

3.1. The meeting was reminded that advice had been taken regarding the original appointment of funds from the Bulldog Trust into the Plaquemines Trust. The advice received from Counsel concurred with the views of the Trustees and it had now been considered therefore that the original appointment by the Bulldog Trust into the Plaquemines Trust was invalid. Accordingly, it was proposed to re-appoint the assets of the Plaquemines Trust to the Bulldog Trust and in this respect a Deed of Re-appointment had been prepared by Counsel, namely Mann & Partners. After appropriate consideration, it was resolved:-

THAT the said Deed of Re-appointment as prepared by Mann & Partners be executed on behalf of the Company by the impression of the common seal in the presence of any two Directors.

4. CLOSURE

4.1. There being no further business, the Chairman closed the Meeting.

Chairman ..... Date 30/12/99

kj/sid/mins/aund-plq.min

PSI00135539

Plaquemines Corp. file

THIS DEED OF REAPPOINTMENT is made the 30th day of December, One thousand nine hundred and ninety-nine.

BY

AUNDYR TRUST COMPANY LIMITED whose registered office is at International House, Castle Hill, Victoria Road, Douglas, Isle of Man, IM2 4RB ("the Appointors").

SUPPLEMENTAL to a settlement known as the Plaquemines Trust dated 28 February 1995 ("the Settlement") between Bulldog Non-Grantor Trust (a settlement dated 11 March 1992) as Settlor and Wychwood Trust Limited as Trustee, and FURTHER SUPPLEMENTAL to a Deed of Retirement and Appointment of New Trustees dated 22 November 1995 made between Michael C. French and Sharyl Robertson as Committee of Protectors, Wychwood Trust Limited and Janek K. Basnet as retiring trustees (Mr. Basnet, having been appointed a trustee in error) and the Appointors

WHEREAS

1. The Appointors have in good faith held themselves out as Trustees of the Settlement.

2. The Appointors have been advised by Mann & Partners, their Isle of Man Advocates, that the Settlement would be regarded as void by the Courts of the Isle of Man as being in breach of the Rule Against Perpetuities.

3. The Appointors rely on the opinion of Mann & Partners addressed to them dated 5 November 1998 that the Appointors therefore hold the Trust Fund of the Settlement (as therein defined) as bare trustees for the Bulldog Non-Grantor Trust.

4. The Appointors for the avoidance of doubt and conscious of the wide discretion of the Isle of Man Courts in such matters wish formally to reappoint the Trust Fund of the Settlement to the trustees of the Bulldog Non-Grantor Trust.

5. The restriction contained in Clause 5.2(d) of the Settlement preventing the appointment by way of reversion or otherwise of any part of the Trust Fund to the Settlor (namely the Bulldog Non-Grantor Trust) is void as the Settlement itself is void.

6. The Appointors wish to discharge their liabilities as bare trustee to the Settlor.

7. The Appointors are trustee of the Bulldog Non-Grantor Trust.

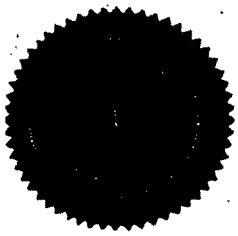
NOW THIS DEED IRREVOCABLY WITNESSES as follows:-

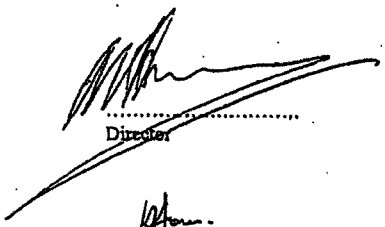
The Appointors in exercise of the power as bare trustees of the assets comprised within the Settlement and of any and every other power enabling them HEREBY IRREVOCABLY APPOINT and DECLARE that the Trust Fund of the Settlement (including without any apportionment all income received on or after the date of this Deed notwithstanding that the same may have accrued wholly or partly before the date of this Deed) shall from the date of this Deed be held by the Appointors upon the trusts of the Bulldog Non-Grantor Trust with and subject to the powers and provisions declared and contained in the Bulldog Non-Grantor trust as an addition thereto and as one fund for all purposes.

Any taxation of any kind occasioned by this appointment shall be borne by the Trust Fund.

EXECUTED AS A DEED the day and year first above written.

The Common Seal of
AUNDYR TRUST COMPANY LIMITED
was hereunto affixed in the
presence of:





Director

Director

Mann & Partners

13 MAY 1998

Your Ref:
w/dah/mannbeck.681

Our Ref
PRB

12 May 1998

D. A. Harris, Esq.
Chief Executive Officer
IFG International Limited
International House
Castle Hill, Victoria Road
Douglas
Isle of Man
IM2 4RB

BY POST / FAX 624469

Dear David

Bulldog Trust, Pilkin Trust, Paquemines Trust

Thank you for your letter of 6 May 1998.

Having looked at the wording of Clause 1(a)(o) of both the Bulldog Trust and the Pilkin Trust, I would like to propose a strategy for dealing with those two settlements apparently not considered by your previous advisers. My comments in this letter apply equally to the Bulldog Trust and to the Pilkin Trust. Separate considerations apply to the Paquemines Trust, which I propose to deal with in later correspondence following receipt of your comments on the matters raised in this letter.

Before researching the matter further, I would like the Trustee's confirmation that it would in principle not be opposed to this strategy.

Clause 1(a)(o) has two halves. The first, contained in sub-Clause (i), is defective on its face as being in breach of the rule against perpetuities. It seeks to define the perpetuity period as being

"twenty one (21) years (plus any relevant, actual periods of gestation) after the death of the last survivor of the group of persons living at the date of signing this Trust Agreement, composed of the Settlor and all Beneficiaries and that period allowed by the jurisdiction of this Trust."

As "Beneficiaries" includes entities other than human lives (defined in Clause 1(a)(i) and 1(a)(ii)) there is the danger that the Trust would be void for remoteness.

It has been suggested by your previous advisers that the Court be approached with a view to Clause 1(a)(o)(i) being amended so that the implied reference to non-human entities be deleted.

Mann & Partners

I would not disagree. However, the Trust is one to which the terms of the Perpetuities and Accumulations Act 1964 apply ("PAA 68"). Section 4 PAA 68 provides a "wait and see" test. This can be summarised as follows:

> Where a disposition (in this case, the Trust) consisting of the conferring of any power, option or other right would be void on the ground that the right might be exercised at too remote a time, the disposition is to be treated as regards any exercise of the right within the perpetuity period as if it were not subject to the rule against perpetuities and is to be treated as void for remoteness only if, and so far as, the right is not fully exercised within that period.

The second half of Clause 1(a)(c) empowers the Trustee to terminate the Trust upon

> *"Such other earlier date* [i.e. earlier than the date purportedly set in the first half of the Clause] *as the Trustee may agree to if it is in the best interest of this Trust and in accordance with the terms and provisions of this Trust."*

It is therefore within the power of the Trustee to set any date upon which the Trust is to terminate. This date may be in the future. The Trustee could resolve now that the Trust will terminate on, say, 11 March 2072, being eighty years from the execution (and presumed constitution) of the Trust.

A period of eighty years would reflect the period suggested in Section 1(1) PAA 68 (which deals with the situation where the disposition specifically provides for an eighty year period, thereby excluding any other duration possible within the rule against perpetuities – this is not the case here).

The Trust would have benefited from the "wait and see" provisions of Section 4 PAA 68 in the interim.

The prudent Trustee would nevertheless seek confirmation from the High Court of Justice of the Isle of Man under Section 61 Trustee Act 1961 that the proposed prospective termination was curative of the drafting. It would also be prudent to petition the Court to sanction in the alternative the revision of the wording of the first half of Clause 1(a)(c) to exclude non-human Beneficiaries.

Section 61(1) Trustee Act 1961 provides (so far as relevant):

> *"Any trustee shall be at liberty, without the institution of a suit, to apply, by petition, to the court, or by summons, upon written statement, to the court at chambers, for the opinion, advice, or direction of the court on any question respecting the management or administration of the trust property [...]; and the trustee, acting upon the opinion, advice or direction given by the said judge, shall be deemed, so far as regards his own responsibility, to have discharged his duty as such trustee, in the subject matter of the said application [...]".*

A "lives in being" clause, when effectively drawn, may result in the duration of a trust exceeding eighty years: an infant life in being may go on to live a long life to which will be added the following 21 years.

Mann & Partners

At this point, therefore, the Trustee must decide whether it regards it as being in the best interest of the Trust that the duration of the Trust be confined to my suggested period of eighty years or whether in the alternative the Trustee wishes to seek to amend the "lives in being" clause.

When you have had a chance to review these issues with the Trustee, I would be happy to discuss them with you over the telephone, in order that we may move on to the next stage of reconstruction (including the reconstruction to such extent as may be possible of the Paquemines Trust).

Kind regards,

Yours sincerely,

Paul R. Beckett

(D

[redacted] = Redacted by the Permanent Subcommittee on Investigations

WYCHWOOD TRUST LIMITED

FACSIMILE TRANSMISSION

TO : Maverick Capital DATE: 17 October 1995

FROM : Shaun F Cairns

FAX REF. : WTL 376/95

FAX NO. : 00 1 [redacted]

ATTENTION : Michael French

NUMBER OF PAGES INCLUDING THIS PAGE : 57

We are transmitting on facsimile number 01624[redacted] (International Code 44 1624). If you do not receive this message completely please contact us on telephone number 0162[redacted]

.....

Re:- Lafourche and Red Mountain

Sorry for the delay in sending you the attached. We have made additional changes to the 4th Schedule of Lafourche - see under point 1. The genders were a bit mixed up. Could you please let me have your views before I have them signed up and dated. (Back dated). I have had a chat to Ronnie regarding the reimbursement of the $50 000 and he has asked me to refer the matter directly to you. Could you please check with Shari whether the breakdown of costs that I gave her were acceptable and thereafter I will send you a fee note.

Kind regards

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 607

Mike French Esq.,
Maverick,
8080 N. Central Expressway,
Dallas,
TX 75206.

2nd fax of November 26th, 1995.

Fax to: 010 1 [redacted] Redacted by the Permanent Subcommittee on Investigations

thank you for calling earlier today.

Loan notes for the $24,999s follow. Please fax the Protectors' authorisation to forgive the notes, as of today.

I note that you wish the original Settlor to remain a beneficiary, to benefit from a 'grandfathering' provision and that this is more important than speed. We will therefore persist down the Shaun Cairns/Pannell Kerr Forster/Assessor of Income Tax route and we will not exclude Manx beneficiaries from benefitting under the trusts.

We will debit $10,000 to Bulldog and $5,000 to Pitkin to reimburse Keith King with the lawyers' fees plus interest.

We will debit $1,700 to Bulldog with which to reimburse Keith's colleague with the cost of travel for one of Sam's sons to the Edinburgh Tattoo.

You will ask Michelle to advise us to whom we should pay the long overdue $1,000 towards the capital of Scottish Holdings. Please advise the proportions as between the trusts which are to invest.

R. Buchanan.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 607

CONFIDENTIAL
PSI0011823

THE BESSIE TRUST
BALANCE SHEET AS AT 31ST DECEMBER 1995

	US$
CURRENT ASSETS:	
Loan to Berkshire Trust	24,999.00
Investments at Market Value	39,133.33
Accruals	122.22
Cash in Hand	1.00
	64,255.55
LESS CURRENT LIABILITIES:	
Loan from Richland Limited	14,515.91
Loan from Morehouse Limited	39,219.71
	53,735.62
NET CURRENT ASSETS	10,519.93
REPRESENTED BY:	
Trust Corpus Introduced	25,000.00
Surplus of Expenditure over Income for the period	(14,480.07)
	10,519.93

Signed for and on behalf of
Lorne House Trust Limited
As Trustee of the Bessie Trust:

PB

RCL

DATE: 2nd October, 1996

THE TYLER TRUST
BALANCE SHEET AS AT 31ST DECEMBER 1995

CURRENT ASSETS:	**US$**
Loan to Berkshire Trust	24,999.00
Investments at Market Value	9,566.67
Accruals	61.11
Cash in Hand	1.00
	44,627.78
LESS CURRENT LIABILITIES:	
Loan from Little Woddy Limited	17,445.09
Loan from Roaring Fork Limited	9,422.72
	26,867.81
NET CURRENT ASSETS	17,759.97
REPRESENTED BY:	
Trust Corpus Introduced	25,000.00
Surplus of Expenditure over Income for the period	(7,240.03)
	17,759.97

Signed for and on behalf of
Lorne House Trust Limited
As Trustee of the Tyler Trust:

.....

.....

DATE: 22 Oct, 1996

[redacted]

To: JKB, BAR

From: RB

19th January, 1996.

The Wyly Group

It has been decided, belatedly, to give Shari a trust. MF will ask KLK to fund it: Bulldog & Pitkin are to repay him.

The options which Concho, Little Woody & other domestic trusts have been writing recently are likely to prove profitable. We will be asked to sell them to South Madison, Bessie & Tyler against annuities. Mr. Chatzky is advising MF on the necessary capitalisation of a company issuing annuities.

CONFIDENTIAL

URGENT

Hand Deliver Immediately

FAX TRANSMITTAL — Maverick

00 1 214 991 8350.

TO:	**Ronald Buchanan**	**FROM:**	**Mike French**
COMPANY:	**Lorne House Trust**	**PHONE:**	
PHONE:	**44**	**FAX:**	
FAX:	**44**	**DATE:**	**July 10, 1995**
NUMBER OF PAGES (including cover):		**TIME:**	**2:07 PM**

Redacted by the Permanent Subcommittee on Investigations

COMMENTS:

NORDA LIMITED
SEAGULL LIMITED
DEVOTION LIMITED
ELEGANCE LIMITED

Dear Ronnie:

Please dispose of this fax after reading, as there will be ample documentation as needed.

It is expected that a recommendation will be made to Wychwood that the Plaquemines Trust, and another trust settled with Wychwood by Pitkin, should contact Lehman regarding acquiring call options on SSW, probably for about two years at the market. Wychwood would finance the transaction through loans, from Lorne House entities. It is likely that a portion of the price could be financed through Lehman.

It may be that, as an alternative, there will be two new trusts at Wychwood established by Keith that will mirror the Bessie and Tyler trusts. This would require Keith to contribute some funds to the trust, but presumably there is a source for that. If this structure is used, the same financing structure for the calls would be utilized.

Wychwood would, in either case, be limited to approximately 600,000 to 700,000 calls, in order to stay under 5% of the outstanding shares and avoid SEC reporting.

I am also sending a copy of this fax to Shaun Cairns, with the same request that he read it and then dispose of it. I will be back on this soon, perhaps tonight.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

10 000

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 608

CONFIDENTIAL
URGENT
Hand Deliver Immediately

FAX TRANSMITTAL — Maverick

TO:	**Shaun Cairns**	**FROM:**	**Mike French**
COMPANY:	**Wychwood Trust Limited**	**PHONE:**	**214** [Redacted by the Permanent Subcommittee on Investigations]
PHONE:	**44 1624** [Redacted by the Permanent Subcommittee on Investigations]	**FAX:**	**214**
FAX:	**44 1624**	**DATE:**	**July 10, 1995**
NUMBER OF PAGES (including cover):		**TIME:**	**3:50 PM**

COMMENTS:

24 800 000
1,2400,000
500 000. Plaquemine. 500,000 700,000. calls.
Schiefley.

Dear Shaun:

I recommend that you immediately contact Lehman Brothers (Lou Schaufele 214 720 9471) regarding the acquisition of two year call options to purchase Sterling Software at the market. These would be acquired by the Plaquemines Trust and another trust established by a Trust at Lorne House, or, if Keith is willing to establish two new trusts that parallel the Bessie and Tyler trusts he set up last year with Lorne House, those new trusts could be the acquirer.

In either case, the actual transaction would be done through a corporate subsidiary of the trusts. Lorne House will assist in arranging the financing.

This transaction, if you as trustee believe it is beneficial, would need to be effected very quickly. I will call you when I reach the office in the morning. As with my other fax, I suggest that you dispose of this one as there will be adequate subsequent documentation of any transactions.

Please show a copy of this to Keith.

Also, I am looking forward to receiving your proposals regarding the Nevis bank.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 608

CONFIDENTIAL
PSI00136721

CONFIDENTIAL and URGENT Hand Deliver Immediately

FAX TRANSMITTAL Maverick

TO:	Shaun Cairns	FROM:	Susan Sims
COMPANY:	Wychwood Trust	PHONE:	214- Redacted by the Permanent Subcommittee on Investigations
PHONE:	011441 Redacted by the Permanent Subcommittee on Investigations	FAX:	214-
FAX:	011441	DATE.	July 12, 1995
NUMBER OF PAGES (including cover):	1	TIME:	12:53 PM

COMMENTS:

Dear Shaun:

I spoke with Mike French and he asked me to respond to your request.

The name for the trust having to do with Sam Wyly is: Lafourche
The company name is: Devotion

The name for the trust having to do with Charles Wyly is: Red Mountain
The company name is: Elegance

Please call me should you have any questions.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 608

CONFIDENTIAL
PSI00136720

To: AJB, JKB, Shaun Cairns, RJC, FKVC, DJ, JEP, BAR

16th August, 1995.

From: RB

Plaquemines, Delhi, Assumption & Pueblo Trusts

Shari Roberston, who administers the Wyly Brothers' affairs from Dallas, rang yesterday afternoon BST to say that Mike French - presumably on Sam's prompting - does not wish to await John Willis's return to set up the Assumption and Pueblo Trusts or AJB's arrangement of a new credit line with which to buy options on Sterling Software. They will, instead, use the existing facilities with Lehman Brothers in Dallas and Wychwood as trustee.

We have available **Elysium Limited** to be owned by the Assumption Trust (where Sam will nominate the initial beneficiaries) and **Atlantis Limited** to be owned by the Pueblo Trust (ditto Charles). FKVC is asked to alter the draft trust documents to reflect the change of trustee to Wychwood and SFC is asked to accept trusteeship.

Wychwood must not be trustee of two sets of trusts which are buying options simultaneously since the amount involved would trigger a reporting requirement. We have been asked, therefore, to transfer the trusteeship of the Plaquemines and Delhi Trusts from Wychwood to a temporary trustee and from the temp. to John Willis once he has returned. I offered to be the temporary trustee in a personal capacity but Mike French thought that I was unsuitable in that I control the corporate trustee of the Bulldog and Pitkin Trusts. He asked if JKB wuld be willing to serve.

FKVC is asked to prepare deeds of resignation and appointment of trustees from Wychwood to JKB for the Plaquemines and Delhi Trusts and JKB is asked to accept temporary trusteeship.

The Wylys would still like to arrange financing similar to that which has been arranged with Lehman Brothers but from another bank.

Note to file:

Re: RB's memo of 16th August 1995

After having spoken to SFC and read the fax from Shari Robertson, it was deceided that it was not necessary to open the two new Trusts, Assumption and Pueble, but to use instead Red Mountain and La Fourche Trust.

It was still necessary to retire Wychwood Trust as Trustees of Plaquemine and Delhi International Trust, temporarily transferred to JKB and then to John Whillis if he was in agreement on his return on 21st August 1995.

CONFIDENTIAL
URGENT
Please Deliver Immediately

FAX TRANSMITTAL Maverick

TO: **Shaun Cairns**

COMPANY: **Wychwood Trust Limited**

PHONE: **44 1624** Redacted by the Permanent Subcommittee on Investigations

FAX: **44 1624**

FROM: **Michael C. French**

PHONE: **214** Redacted by the Permanent Subcommittee on Investigations

FAX: **214**

DATE: **October 3, 1995**

NUMBER OF PAGES (including cover): 12

TIME: **10:56 AM**

COMMENTS:

Shari Robertson and I have reviewed the copies of the two trusts you faxed to us. There are some clerical errors that must be remedied. I assume the documents can be redone to reflect these corrections.

It is essential that these corrections be made. It is my understanding that there is a letter of wishes similar to that given by the settlor of the Tyler and Bessie trusts administered by Lorne House. It was also my understanding from Ronald Buchanan that these trusts were to be funded in the manner set forth in the attachments. He can call me if he needs further advice on this.

Please see to it these corrections are effected as soon as possible. Thank you for your assistance.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

[redacted] = Redacted by the Permanent Subcommittee on Investigations

WYCHWOOD TRUST LIMITED

FACSIMILE TRANSMISSION

TO : Maverick Capital DATE: 17 October 1995

FROM : Shaun F Cairns

FAX REF. : WTL 376/95

FAX NO. : 00 1 214[redacted]

ATTENTION : Michael French

NUMBER OF PAGES INCLUDING THIS PAGE : 57

We are transmitting on facsimile number 01624[redacted].(International Code 44 1624). If you do not receive this message completely please contact us on telephone number 01624[redacted].

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Re:- Lafourche and Red Mountain

Sorry for the delay in sending you the attached. We have made additional changes to the 4th Schedule of Lafourche - see under point 1. The genders were a bit mixed up. Could you please let me have your views before I have them signed up and dated. (Back dated). I have had a chat to Ronnie regarding the reimbursement of the $50 000 and he has asked me to refer the matter directly to you. Could you please check with Shari whether the breakdown of costs that I gave her were acceptable and thereafter I will send you a fee note.

Kind regards

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 609

(6)

MORGAN, LEWIS & BOCKIUS

MEMORANDUM

TO: Michael French DATE: February 15, 1994

FROM: Charles G. Lubar

SUBJECT: Tax Consequences of Grantor Trust

You have asked me to prepare a memorandum regarding the U.S. federal income tax treatment of U.S. citizen beneficiaries (the "Taxpayers") of foreign (i.e., non-U.S.) "grantor trusts" (the "Trusts") established by an individual (the "Grantor") who is a nonresident alien of the United States. For purposes of this memorandum, you told me to assume the following facts:

FACTS AND ASSUMPTIONS

1. The Grantor, although not related to the Taxpayers, has known the Taxpayers for a considerable period of time and will establish the Trusts for the Taxpayers' benefit as an entirely gratuitous act. All moneys contributed to the Trusts, now or in the future, will belong to the Grantor, and he has not previously and will not in the future receive any consideration, reimbursement, or other benefit for, or in respect of, this act, directly or indirectly. Further, the Taxpayers have not previously made gifts to the Grantor exceeding US$10,000 in any taxable year.

2. The Trusts have been established in the Isle of Man as typical discretionary trusts. Under their terms, the trustee (the "Trustee") has been given broad powers to manage and dispose of the Trusts' principal and income, subject, in most cases, to the consent of a protector (the "Protector"). Neither the Trustee nor the Protector is a beneficiary of the respective Trusts.[1/] The Trusts are irrevocable but may be modified by the Trustee in certain respects; including the naming of additional beneficiaries.

3. The Trusts will acquire a majority share interest in a non-U.S. corporation ("Newco") organized to engage in, inter alia, the insurance business, exclusively outside the United States. Neither the Taxpayers nor any persons related to the Taxpayers, directly, indirectly or constructively, will transfer

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1/ It is noted that if a party is a Protector, it would be for a Trust for which he is not a beneficiary.

[redacted]

any money or other property to Newco except on an "arm's length" basis,[2/] and if the Taxpayers provide services to Newco as employees, independent contractors or otherwise, directly or indirectly, they will be compensated solely on an arm's length basis.

DISCUSSION

1. Consequences During Grantor's Lifetime

Because of the broad discretionary powers afforded to the Trustee and the fact that the Grantor is also a beneficiary of the Trusts, the Trusts will be "grantor trusts" for all U.S. federal income tax purposes pursuant to the provisions of sections 671 et seq. for so long as the Grantor lives. As a consequence, the Grantor will be considered to be the owner of the portion of the Trusts (including the shares of Newco) attributable to the property that he transfers to the Trusts, and all items of income, deduction or credit attributable to such portion will be included in computing the Grantor's taxable income and credits for U.S. federal income tax purposes.

However, because the Grantor is a nonresident alien as to the United States and neither the Trusts nor Newco will have any income from U.S. sources or effectively connected with the conduct of a U.S. trade or business, the Grantor will have no actual U.S. tax liability or obligation to file a U.S. income tax or information return.

In the assumed circumstances, the Grantor will be the sole transferor of property to the Trusts and will, accordingly, be treated as owner of all the interests in the Trusts. Thus, all income of the Trusts will be notionally taxed to the Grantor for U.S. federal income tax purposes, and the Taxpayers, U.S. citizen beneficiaries of the Trusts, will not be subject to U.S. tax on any distributions received from the Trusts that are attributable to income realized by the Trusts during the Grantor's lifetime. Rev. Rul. 69-70, 1969-1 C.B. 182. Further, because the Grantor will be treated as owner of the shares of Newco held by the Trusts, the Taxpayers will not be considered to own any shares thereof for purposes of the provisions applicable to "controlled foreign corporations" ("CFC")[3/] or "foreign

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2/ For this purpose, a transfer is considered to be "arm's length" if undertaken on terms, including financial terms, that would be made between wholly unrelated persons in comparable circumstances.

3/ PLR 670419560A (April 19, 1967). See Code §§ 318(a)(2)(B)(ii), 958(b); Reg. § 1.958-2(c)(1)(ii).

[redacted]

personal holding companies" ("FPHCs")[4] and likely will not be considered to own any shares of Newco for purposes of the "passive foreign investment company" ("PFIC") provisions.[5] Thus, the Taxpayers should not have any current U.S. tax liability or reporting obligations in respect of income realized by Newco during the Grantor's lifetime (other than compensation that the Taxpayers may receive from Newco, directly or indirectly, for services performed on its behalf).

2. Consequences Following Grantor's Death

Following the death of the Grantor, the Trusts will no longer be grantor trusts for U.S. federal income tax purposes, and the Taxpayers, as beneficiaries of the Trusts, will become subject to the normal rules regarding the taxation of income received through interests in foreign trusts and certain foreign corporations.

(a) Income from Foreign Trust

Income and gains accumulated by the Trusts prior to the death of the Grantor may be distributed to the Taxpayers following the Grantor's death free of U.S. tax, since such income already will have been notionally taxed to the Grantor. However, income and gains realized by the Trusts following the Grantor's death will be taxable to the Taxpayers when distributed to them.[6]

4/ Rev. Rul. 79-116, 1979-1 C.B. 213.

5/ At the present time, Prop. Reg. § 1.1291-1(b)(8)(i)(C) provides that beneficiaries of a trust (other than a tax-exempt employees' trust) are considered to own a proportionate amount of stock of a PFIC owned by the trust, directly or indirectly. However, similar language pertaining to CFCs and FPHCs has been interpreted not to apply to stock held through a grantor trust. See authorities cited at footnotes 3 and 4, supra. Further, the instructions to Form 8621, the annual return for direct and indirect shareholders of a PFIC, indicate that the grantor of a grantor trust, and not the trust itself, is treated as the owner of PFIC stock held by a grantor trust. This implies that other beneficiaries of such a trust would not be treated as indirect owners of the PFIC. Moreover, the IRS, in a notice of proposed amendments to the PFIC regulations, issued April 1, 1992, solicited comment from taxpayers on whether different attribution rules should be adopted.

6/ Because the Trusts generally will keep their books on a receipts basis, it will be beneficial for the Taxpayers if Newco distributes its profits to the Trusts by way of dividend currently. Dividends received by the Trusts during the Grantor's

[redacted]

If distributed in the year realized by the Trust, such income and gains will retain their character and be taxed to the Taxpayers at the current rates applicable to ordinary income and capital gains, respectively. However, if the Trusts accumulate income and gains following the Grantor's death, this will result in several adverse consequences to the Taxpayers. First, under a complex set of rules contained in section 667, the amount received by the Taxpayers as an accumulation distribution effectively will be "thrown back" to the years when such income was earned by the Trusts and taxed at the Taxpayers' highest marginal rate for such years.[7/] Second, the character of capital gains realized by the Trusts will be lost when distributed to the Taxpayers, and they will be subject to tax on such gains at current rates applicable to ordinary income, which generally are higher than rates applicable to capital gains. Finally, under section 668, a nondeductible interest charge of six percent per annum will be imposed on the deferred taxes attributable to the accumulation distribution (adjusted for any foreign tax credits available to the Taxpayers).[8/] Thus, unless the economic benefits of tax deferral outweigh the section 668 interest charge, it normally would be recommended that the Trusts make current distributions of income and gains to the Taxpayers following the death of the Grantor.

(b) Income from Newco

A U.S. person owning shares, directly or indirectly (including, e.g., through a beneficial interest in a foreign trust), in a foreign corporation that is a CFC or FPHC may be subject to U.S. income tax currently on certain income realized

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lifetime will be taxed to him and not to the Taxpayers, who may later receive distributions incorporating such dividends on a tax-free basis. By comparison, dividends received by the Trusts from Newco following the Grantor's death will eventually be taxable to the Taxpayers notwithstanding that the profits from which such dividends are paid were earned by Newco prior to the Grantor's death.

7/ The amount of the actual distribution will be grossed up for any foreign taxes which such income has borne in the hands of the Trusts, and the Taxpayers will be entitled to a limited foreign tax credit for such taxes in computing their U.S. tax liability on the accumulation distribution. However, in the envisioned circumstances, it is unlikely that the Trusts will pay any foreign taxes.

8/ The total of the interest charge plus the tax incurred may not exceed the amount of the actual distribution. Although the section 668 interest charge is itself nondeductible, it is subject to a further interest charge in case of late payment.

[redacted]

by the corporation, whether or not such income is received by the U.S. person. Similarly, a U.S. person owning or considered as owning shares in a foreign corporation which is a PFIC may suffer adverse U.S. tax consequences on the receipt of certain excess distributions from the corporation or proceeds from the sale of its stock.

Following the death of the Grantor, Newco will likely be a CFC and, depending on the mix of assets or income, may also meet the definition of a FPHC or a PFIC. Discussion of the consequences of Newco becoming a CFC, a FPHC or a PFIC is beyond the scope of this Memorandum. In general, however, it should be noted that to the extent Newco earns active business income it may be able to avoid the adverse tax consequences of being a CFC or a FPHC. Avoiding the consequences of being a PFIC, however, will depend not only on the active level of business income but on the percentage of assets deemed to be in this active business.

(c) Reporting of Interests in Newco

A U.S. person who (i) "acquires" five percent or more in value of the stock of a foreign corporation, (ii) acquires an additional five percent of such stock, (iii) owns five percent or more of the stock of a foreign corporation when such corporation is reorganized, or (iv) disposes of sufficient shares to reduce his interest to less than five percent of the foreign corporation is required to report his interest in the foreign corporation on Form 5471. The relevant statutory provision, section 6046, indicates that stock owned directly or indirectly must be reported. In implementing this provision the regulations state that persons owning shares directly or indirectly through a foreign corporation or foreign partnership must report their proportionate interest of a foreign corporation's shares held by such corporation or partnership. Reg. § 1.6046-1(h)(i). On the death of the Grantor it is likely that the beneficiaries of the respective Trusts will be deemed to "acquire" the requisite five percent or more interest, thus requiring the filing of information returns on Form 5471. Further, since Newco will likely be a CFC and may be a FPHC, then in either case there would be significant additional information required on Form 5471 beyond the minimal information required for a five percent or more shareholder.

A U.S. person holding a direct or indirect interest in a PFIC, including an interest held through a beneficial interest in a trust, must file an annual information return on Form 8621. Thus, if Newco were to become a PFIC following the Grantor's death, the Taxpayers would be required to file such a return.

MGP:CGL:mclw

[redacted]

August 15, 1995

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Memo to: Shawn Cairns, Wychwood Trust
From: Sharyl Robertson, Michael French
Re: Plaquemines Trust, Delhi Trust, La Fourche Trust, Red Mountain Trust

As the protectorate committee, we recommend that Wychwood Trust resign as Trustee for the Plaquemines Trust and the Delhi Trust.

After the resignation is in affect, we further recommend that La Fourche Trust purchase 333,334 and Red Mountain Trust purchase 166,666 Sterling call options (American).

If you have any questions, you may reach me early morning at the house (214) 771-8069, or by fax (214) [redacted] When you start trading, please let me know.

Sharyl Robertson
214 [redacted]

[redacted]

Fax Fiona.

1 01
TOTAL P.01

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 614

CONFIDENTIAL
PSI00124623

Exhibit 11

THIS DECLARATION OF TRUST is made the 26 day of October 2000 **BY AUNDYR TRUST COMPANY LIMITED** of International House, Castle Hill, Victoria Road, Douglas, Isle of Man (hereinafter called "Aundyr")

WHEREAS

A. Aundyr is the present sole trustee of a Trust Agreement of the Bulldog Non-Grantor Trust (hereinafter called "the Original Trust") made as of 11th March 1992 by and between Sam Wyly (therein the "Settlor") of the one part and Lorne House Trust Company Limited (therein the "Trustee") of the other part

B. Pursuant to clause 18.9 of the Original Trust, Aundyr intends immediately after execution of this deed to transfer and merge all of the assets now held subject to the Original Trust on to the trusts and with and subject to all the terms and conditions declared in this Declaration of Trust

NOW THIS DEED WITNESSES as follows:-

1. Aundyr **HEREBY IRREVOCABLY DECLARES** that it shall hold all of the assets to be transferred to it from the Original Trust (as above-recited) upon the same trusts and with and subject to all the same terms and conditions as are contained in the Original Trust (and as if Aundyr were the first-named Trustee thereof and all such terms and conditions were contained herein in extenso) but with the following substitutions and additions:-

1.1 Substituted clause 1(i)(iv)

"DEFINITIONS" . . .

(j) "Precluded Persons" means:

(iv) any person who is a citizen, resident or domiciliary of the situs of the Trust (as provided in clause 4.1). Any such person is hereby expressly excluded from receiving any benefit hereunder or from being a Beneficiary hereunder."

1.2 Additional clause 19

"19. **ADDITION AND EXCLUSION OF BENEFICIARIES**

19.1 After the expiration of the period of two years and one day from the death of the Settlor the Trustee shall have power at any time and from time to time with the prior written consent of the Committee by revocable or irrevocable deed executed prior to the Termination of the Trust to appoint and direct that any person or class of persons (not being a Precluded Person) not already included in the class of Beneficiaries shall thenceforth be included in such class subject to such (if any) terms conditions or restrictions as may be specified in such deed.

19.2 The Trustee shall have power at any time and from time to time with the prior written consent of the Committee by revocable or irrevocable deed executed before the Termination of the Trust to declare that any person or class of persons for the time being included in the class of Beneficiaries or otherwise capable of benefiting under this Trust in consequence of the exercise by the Trustees of any discretion or power or who would or might but for the exercise of this present power subsequently become so included or so capable of benefiting hereunder shall no longer be or be able to become so capable of benefiting hereunder and may by such deed also be declared to be and become a member of the class of Precluded Persons for all the purposes hereof"

1.3 Additional Clause 20

"20. **PERPETUITY PERIOD**

The perpetuity period applicable to this Declaration of Trust shall be the period commencing at the date of execution of this Declaration and ending 21 years after the death of the last survivor of the group of persons living at 11th March 1992, composed of the Settlor and the Beneficiaries named in Schedule "A", Section 2 under the heading "Beneficiaries"."

2. The Trust hereby declared and to be constituted (as above-recited) immediately hereafter shall be known as "**BULLDOG TRUST II**"

IN WITNESS whereof Aundyr has executed this deed the day and year first above written

The Common Seal of
AUNDYR TRUST COMPANY LIMITED
was hereunto affixed in the presence of:

DIRECTOR

DIRECTOR

568x7d/smtic99/sem

PSI00135561

Bulldog II

THIS DEED OF TRANSFER AND MERGER is made the 20 day of October 2000 **BY AUNDYR TRUST COMPANY LIMITED** of International House, Castle Hill, Victoria Road, Douglas, Isle of Man (hereinafter called "Aundyr")

SUPPLEMENTAL to a Trust Agreement of the Bulldog Non-Grantor Trust (hereinafter "the Original Trust") made as of 11th March 1992 by and between Sam Wyly (therein the "Settlor") of the one part and Lorne House Trust Company Limited (therein the "Trustee") of the other part

WHEREAS:

A. Aundyr is the present sole trustee of the Original Trust.

B. If at any time the Trustee of the Original Trust shall also be acting as trustee of any other trust (hereinafter the "Other Trust") for the benefit of the same Beneficiaries and upon substantially the same terms and conditions, the Trustee is authorised and empowered by clause 18.9 of the Original Trust, if in its sole and absolute discretion such action is in the best interests of the Beneficiaries of the Original Trust, to transfer and merge all of the assets then held in the Original Trust to and with such Other Trust

C. By virtue of a Declaration of Trust (therein called "the Bulldog Trust II" but hereinafter the "New Trust") of even date herewith and made by Aundyr immediately prior to the execution of this deed, Aundyr is also the present sole trustee of another trust now existing for the benefit of the same Beneficiaries and upon substantially the same terms and conditions.

D. Pursuant to the above-recited power and being satisfied that such action is in the best interests of the Beneficiaries of the Original Trust, Aundyr in its capacity as Trustee of the Original Trust now wishes to transfer and merge the whole of the Trust Fund (as defined in the Original Trust and hereinafter so referred to), including any undistributed income thereof to itself in its capacity as the present sole trustee of the New Trust and to hold the same with and subject to all the trusts terms and conditions declared in the New Trust

NOW THIS DEED WITNESSES as follows:

1. In its capacity as the present sole trustee of the Original Trust, Aundyr **HEREBY TRANSFERS AND MERGES** the Trust Fund of the Original Trust (including all if any undistributed income thereof) to itself as the present sole trustee of the New Trust

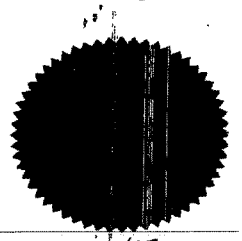
2. Aundyr **HEREBY DECLARES** that it will henceforth hold the assets transferred and merged as aforesaid upon the trusts and with and subject to all the terms and conditions of the New Trust

IN WITNESS whereof Aundyr has executed this deed the day and year first above written

PSI00135562

09/30/03 13:12 FAX → KEELEY 007
30/09 '03 15:21 FAX 01624 624468 007

The Common Seal of
AUNDYR TRUST COMPANY LIMITED
was hereunto affixed in the presence of:



DIRECTOR

DIRECTOR

HC/AT
026/2000

568x3d/smdc99/sem

Meeting with IFG International
David Harris, Ken Jones & Kathy Harding
Tuesday, November 7th, 2000
Agenda Items

1. Status of Trust Documentation
   - appointment to Bulldog II, Pitkin II (completed)
   - change trustee of Delhi, Lake Providence and Castle Creek from Northern to Aundyr
   - Merge Bulldog II, Delhi & Lake Providence
   - Merge Pitkin II, & Castle Creek
   - Possible change of Trustee for Bessie to Northern from Aundyr?

2. Creation of sub-funds (SW Family – to move forward asap)
   - documentation
   - asset allocation
   - lending of assets/funds across trusts

3. Creation of sub-funds (CW Family – in planning phase)
   - may result in assets loaned across trustees

4. Discuss plans for SAC annuities and planning with the use of variable life policies, including split dollar arrangements across trusts (SW affected trusts with Northern/Aundyr – CW trusts span different trustees)

5. Status of protector company formation and discussion of parties to be involved

6. Audits of IOM companies

7. Investment update
   - Two Mile Ranch
   - Cottonwood
   - Global Audio Visual
   - Intelecon
   - Ranger Group
   - Precept
   - First Dallas International
   - Red River Ventures
   - Greenmountain
   - Art/Collectibles
   - Chapparal
   - Michaels
   - Computer Associates
   - Scottish Annuity & Life Holdings

8. Review of trustee fees

original in S/C under Lake Providence Int Trust

THIS DEED OF TRANSFER AND MERGER is made the 27th day of April 2001 **BY AUNDYR TRUST COMPANY LIMITED** of International House, Castle Hill, Victoria Road, Douglas, Isle of Man (hereinafter called "Aundyr")

SUPPLEMENTAL to a Trust Agreement of the Lake Providence International Trust (hereinafter "the Original Trust") made as of 4th December 1992 by and between Sam Wyly (therein the "Settlor") of the one part and Pierson, Heldring & Pierson (Isle of Man) Limited (therein the "Trustee") of the other part

WHEREAS:

A. Aundyr is the present sole trustee of the Original Trust.

B. If at any time the Trustee of the Original Trust shall also be acting as trustee of any other trust (hereinafter the "Other Trust") for the benefit of the same Beneficiaries and upon substantially the same terms and conditions, the Trustee is authorised and empowered by clause 18.9 of the Original Trust, if in its sole and absolute discretion such action is in the best interests of the Beneficiaries of the Original Trust, to transfer and merge all of the assets then held in the Original Trust to and with such Other Trust.

C. By virtue of a Declaration of Trust made by Aundyr on 20th October 2000 (therein called "the Bulldog Trust II" but hereinafter the "Successor Trust", and which Declaration was itself a re-statement by way of transfer and merger of the Bulldog Non-Grantor Trust of 11th March 1992), Aundyr is also the present sole trustee of another trust now existing for the benefit of the same Beneficiaries and upon substantially the same terms and conditions.

D. Pursuant to the above-recited power and being satisfied that such action is in the best interests of the Beneficiaries of the Original Trust, Aundyr in its capacity as Trustee of the Original Trust now wishes to transfer and merge the whole of the Trust Fund (as defined in the Original Trust and hereinafter so referred to), including any undistributed income thereof to itself in its capacity as the present sole trustee of the Successor Trust and to hold the same with and subject to all the trusts terms and conditions declared in the Successor Trust.

NOW THIS DEED WITNESSES as follows:

1. In its capacity as the present sole trustee of the Original Trust, Aundyr **HEREBY TRANSFERS AND MERGES** the Trust Fund of the Original Trust (including all if any undistributed income thereof) to itself as the present sole trustee of the Succesor Trust

2. Aundyr **HEREBY DECLARES** that it will henceforth hold the assets transferred and merged as aforesaid upon the trusts and with and subject to all the terms and conditions of the Successor Trust

IN WITNESS whereof Aundyr has executed this deed the day and year first above written

The Common Seal of
AUNDYR TRUST COMPANY LIMITED
was hereunto affixed in the presence of:

[redacted]

HC 045/01

DIRECTOR

DIRECTOR

568vv1d/mrftlc2000/scm

THIS DEED OF TRANSFER AND MERGER is made the 27th day of March 2001 **BY AUNDYR TRUST COMPANY LIMITED** of International House, Castle Hill, Victoria Road, Douglas, Isle of Man (hereinafter called "Aundyr")

SUPPLEMENTAL to a Trust Agreement of the Delhi International Trust (hereinafter "the Original Trust") made as of 4th December 1992 by and between Sam Wyly (therein the "Settlor") of the one part and Credit Suisse Trustees (Isle of Man) Limited (therein the "Trustee") of the other part

WHEREAS:

A. Aundyr is the present sole trustee of the Original Trust.

B. If at any time the Trustee of the Original Trust shall also be acting as trustee of any other trust (hereinafter the "Other Trust") for the benefit of the same Beneficiaries and upon substantially the same terms and conditions, the Trustee is authorised and empowered by clause 18.9 of the Original Trust, if in its sole and absolute discretion such action is in the best interests of the Beneficiaries of the Original Trust, to transfer and merge all of the assets then held in the Original Trust to and with such Other Trust.

C. By virtue of a Declaration of Trust made by Aundyr on 20th October 2000 (therein called "the Bulldog Trust II" but hereinafter the "Successor Trust", and which Declaration was itself a re-statement by way of transfer and merger of the Bulldog Non-Grantor Trust of 11th March 1992), Aundyr is also the present sole trustee of another trust now existing for the benefit of the same Beneficiaries and upon substantially the same terms and conditions.

D. Pursuant to the above-recited power and being satisfied that such action is in the best interests of the Beneficiaries of the Original Trust, Aundyr in its capacity as Trustee of the Original Trust now wishes to transfer and merge the whole of the Trust Fund (as defined in the Original Trust and hereinafter so referred to), including any undistributed income thereof, to itself in its capacity as the present sole trustee of the Successor Trust and to hold the same with and subject to all the trusts terms and conditions declared in the Successor Trust.

NOW THIS DEED WITNESSES as follows:

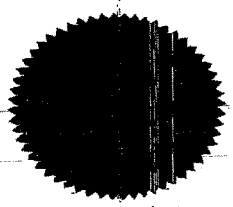
1. In its capacity as the present sole trustee of the Original Trust, Aundyr **HEREBY TRANSFERS AND MERGES** the Trust Fund of the Original Trust (including all if any undistributed income thereof) to itself as the present sole trustee of the Succesor Trust

2. Aundyr **HEREBY DECLARES** that it will henceforth hold the assets transferred and merged as aforesaid upon the trusts and with and subject to all the terms and conditions of the Successor Trust

PSI00135566

IN WITNESS whereof Aundyr has executed this deed the day and year first above written

The Common Seal of
AUNDYR TRUST COMPANY LIMITED
was hereunto affixed in the presence of:



HC 04\$ 101

DIRECTOR

DIRECTOR

568m2d/tlc01/sem

THIS DEED OF TRANSFER AND MERGER is made the 27th day of March 2001 **BY AUNDYR TRUST COMPANY LIMITED** of International House, Castle Hill, Victoria Road, Douglas, Isle of Man (hereinafter called "Aundyr")

SUPPLEMENTAL to a Trust Agreement of the Castle Creek International Trust (hereinafter "the Original Trust") made as of 23rd March 1992 by and between Charles J. Wyly, Jr (therein the "Settlor") of the one part and Pierson, Heldring & Pierson (Isle of Man) Limited (therein the "Trustee") of the other part

WHEREAS:

A. Aundyr is the present sole trustee of the Original Trust.

B. If at any time the Trustee of the Original Trust shall also be acting as trustee of any other trust (hereinafter "the Other Trust") for the benefit of the same Beneficiaries and upon substantially the same terms and conditions, the Trustee is authorised and empowered by clause 18.9 of the Original Trust, if in its sole and absolute discretion such action is in the best interests of the Beneficiaries of the Original Trust, to transfer and merge all of the assets then held in the Original Trust to and with such Other Trust.

C. By virtue of a Declaration of Trust (therein called "the Pitkin Trust II" but hereinafter the "Successor Trust", and which Declaration was itself a re-statement by way of transfer and merger of the Pitkin Non-Grantor Trust of 23rd March 1992) dated 20th October 2000 and made by Aundyr, Aundyr is also the present sole trustee of another trust now existing for the benefit of the same Beneficiaries and upon substantially the same terms and conditions.

D. Pursuant to the above-recited power and being satisfied that such action is in the best interests of the Beneficiaries of the Original Trust, Aundyr in its capacity as Trustee of the Original Trust now wishes to transfer and merge the whole of the Trust Fund (as defined in the Original Trust and hereinafter so referred to), including any undistributed income thereof, to itself in its capacity as the present sole trustee of the Successor Trust and to hold the same with and subject to all the trusts terms and conditions declared in the Successor Trust.

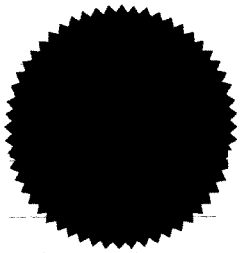
NOW THIS DEED WITNESSES as follows:

1. In its capacity as the present sole trustee of the Original Trust, Aundyr **HEREBY TRANSFERS AND MERGES** the Trust Fund of the Original Trust (including all if any undistributed income thereof) to itself as the present sole trustee of the Successor Trust

2. Aundyr **HEREBY DECLARES** that it will henceforth hold the assets transferred and merged as aforesaid upon the trusts and with and subject to all the terms and conditions of the Successor Trust

IN WITNESS whereof Aundyr has executed this deed the day and year first above written

The Common Seal of
AUNDYR TRUST COMPANY LIMITED
was hereunto affixed in the presence of:



HC 646/01

DIRECTOR

DIRECTOR

568m1d/tlc01/sem

BULLDOG TRUST

The Bulldog Trust was created by a trust agreement dated 11 March 1992 between Sam Wyly, a wealthy US person, and Lorne House Trust Company Limited. The current trustee of the trust is IFG International Trust Company Limited (previously Aundyr Trust Company Limited).

The reason for creating the trust was tax driven. Its purpose was to take the assets held/to become held within the trust and various Isle of Man companies owned by it outside of the settlor's estate for US gifts and estate tax purposes and at the same time to create a fund the income and gains of which were not attributable to any of the settlor or his family. The assets within the trust are now very substantial.

During 1998 and 1999 the trustees, together with the settlor's advisers, considered a number of possible amendments to the trust so as to create a structure that would be even more "efficient" for tax purposes. At that time a potential problem with the perpetuity period was identified which is summarised in Mann & Partners' letter of 12 May 1998.

Ultimately the revised tax planning arrangements were not proceeded with. However, step one of these arrangements was put into place. This step was for the trustees to declare a new trust, Bulldog II Trust, and then using the power of merger contained in clause 18.9 of the trust agreement to merge the original Bulldog Trust into Bulldog II Trust. The principal reason for this change was a desire to adopt a power to add and delete beneficiaries. At the time, the trustees took the view that the two trusts were "substantially the same". At the same time, the perceived perpetuity problem was also dealt with as was a small Manx technical problem in that persons resident in the Isle of Man had not been excluded from benefiting under the original trust.

In the light of various amendments to US tax legislation since 1992 the settlor has, with his advisers, been reconsidering his income tax position and the trustee is now advised that the merging of the original Bulldog Trust into Bulldog II Trust may have caused the trust to become a grantor trust for US income tax purposes. Clause 5.2 of the original Bulldog Trust contains a specific provision that "the trustee shall not at any time prior to the termination of this trust take any action or do any act which may cause this trust to become a grantor trust for United States income tax purposes".

In the light of the preceding paragraph it is the trustee's view that the purported merger of Bulldog Trust into Bulldog II Trust was void ab initio and the trustee is now seeking confirmation of this point, together with confirmation that all that is required to formalise its decision is a straightforward resolution noting the effect of the Deed of Merger and therefore the fact that the merger was void ab initio.

A consequential point is whether the entirety of the Deed of Merger should be considered void or simply the offensive part, namely the addition of the new Clause 19.

Attached to this note are:-

1. The original trust agreement
2. The October 2000 Declaration of Trust known as Bulldog II
3. The October 2000 Deed of Merger
4. Mann & Partners' letter of 12 May1998.

One additional question has arisen from those advising the Settlor in relation to US tax issues. It is apparent, following the issue of various new Regulations by the US Internal Revenue Service and in the light of a generally more conservative approach to tax planning issues, that as regards very recent years certain of the trustee's powers could cause the trust to be treated as a Grantor Trust for US income tax purposes, notwithstanding the voiding of the October 2000 merger. In particular it is the trustee's discretionary distribution powers following the death of the Settlor that are issue.

Clause 5.3 of the original Bulldog Trust agreement contains a sentence "this discretionary distribution power of the trustee shall be limited and void with regard to any distribution that violates any provisions or intent of this trust". It is accepted that any statement of the Settlor's intent, see in particular the final paragraph of Clause 4.2, is not relevant other than in an action for rectification. However, in view of the wording of Clause 5.9 (a) the question is raised as to whether the trustee would be correct in effectively putting a line through any language within Clause 5.2 that caused the trust to be a grantor trust for US tax purposes.

David A. Harris
IFG International Limited
International House
Castle Hill
Victoria Road
Douglas
Isle of Man

6.10.03
w\dah\bulldog0610.03note

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

MAR 27 1992

CHERYL A. LAU SECRETARY OF STATE

NO.

ARTICLES OF INCORPORATION
OF
LITTLE WOODY LIMITED

FIRST. The name of the corporation is Little Woody Limited.

SECOND. Its registered office in the State of Nevada is located at One East First Street, Reno, Nevada 89501. The name of its resident agent at that address is The Corporation Trust Company of Nevada.

THIRD. The purpose for which the Corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the Nevada General Corporation Law.

FOURTH. The aggregate number of shares of capital stock that the Corporation will have authority to issue is 10,000 shares of Common Stock, having a par value of $.01 per share.

FIFTH. No shareholder of the Corporation will, solely by reason of his holding shares of any class, have any preemptive or preferential right to purchase or subscribe for any shares of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying warrants, rights or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividend, voting or any other rights of such shareholder. The Board of Directors may authorize the issuance of, and the Corporation may issue, shares of any class of the Corporation, or any notes, debentures, bonds or other securities convertible into or carrying warrants, rights or options to purchase any such shares, without offering any shares of any class to the existing holders of any class of stock of the Corporation.

SIXTH. The governing board of this corporation shall be known as directors, and the number of directors may from time to time be increased or decreased in such manner as shall be provided by the bylaws of this corporation.

The name and street address of the first board of directors, which shall be one (1) in number, is as follows:

Name	Post Office Box or Street Address
Sharyl Robertson	8080 N. Central Expressway Suite 1100 Dallas, Texas 75206

SEVENTH. The Corporation will, to the fullest extent permitted by the Nevada General Corporation Law, as the same exists or may hereafter be amended, indemnify any and all persons who it has power to indemnify under such statute from and against any and all of the

expenses, liabilities or other matters referred to in or covered by such statute. Such indemnification may be provided pursuant to any Bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his director or officer capacity and as to action in another capacity while holding such office, will continue as to a person who has ceased to be a director, officer, employee or agent, and inure to the benefit of the heirs, executors and administrators of such a person.

EIGHTH. To the fullest extent permitted by the laws of the State of Nevada as the same exist or may hereafter be amended, a director of the Corporation will not be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director.

NINTH. The name and post office box or street address of the incorporator signing the articles of incorporation is as follows:

Name	Post Office Box or Street Address
Gwen Davies	901 Main Street Suite 6000 Dallas, Texas 75202-3797

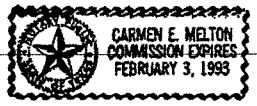
I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Nevada, do make and file these articles of incorporation, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set my hand this 25th day of March, 1992.

Gwen Davies

STATE OF TEXAS

COUNTY OF DALLAS

On this 25th day of March, 1992, before me, a Notary Public, personally appeared Gwen Davies, who acknowledged that she executed the above instrument.



Carmen E. Melton
Notary Public
(Stamp)

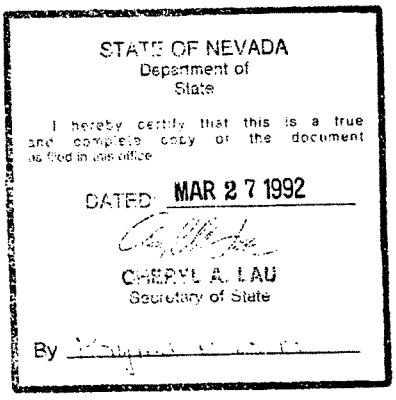
CERTIFICATE OF ACCEPTANCE OF APPOINTMENT
BY RESIDENT AGENT

The Corporation Trust Company of Nevada hereby accepts the appointment as Resident Agent of the above named corporation.

The Corporation Trust Company of Nevada.

Resident Agent

By: _____ Date 3-27-92
(Assistant Secretary)


STATE OF NEVADA
Department of
State

I hereby certify that this is a true and complete copy of the document as filed in this office.

DATED: MAR 2 7 1992

CHERYL A. LAU
Secretary of State

By

WRITTEN CONSENT OF SOLE DIRECTOR
IN LIEU OF
ORGANIZATIONAL MEETING OF
LITTLE WOODY LIMITED

The undersigned, being the sole member of the Board of Directors of Little Woody Limited, a Nevada corporation (the "Corporation"), named in the Articles of Incorporation of the Corporation filed with the Secretary of State of Nevada on March 27, 1992, hereby consents in writing, pursuant to the provisions of Section 78.315 of the Nevada General Corporation Law (the "Act"), to the taking of the following action and to the adoption of the following resolutions:

RESOLVED, that the Articles of Incorporation of the Corporation, as filed with the Secretary of State of the State of Nevada on March 27, 1992, are hereby in all respects confirmed, ratified, approved and adopted; and that upon election, the Secretary of the Corporation is hereby directed to insert such Articles of Incorporation, as certified by the Secretary of State of the State of Nevada, in the minute book of the Corporation; and further

RESOLVED, that the Bylaws that have been prepared for the Corporation are hereby in all respects confirmed, ratified, approved and adopted as the official Bylaws of the Corporation, to govern the conduct of its corporate affairs, and that upon election, the Secretary of the Corporation is hereby directed to insert the same in the minute book of the Corporation; and further

RESOLVED, that the form of certificate for Common Stock of the Corporation prepared for the Corporation is hereby in all respects confirmed, ratified, approved and adopted as the official stock certificate of the Corporation, and that upon election, the Secretary of the Corporation is hereby directed to mark one such certificate as a specimen and to insert the same in the minute book of the Corporation; and further

RESOLVED, that the appropriate officers of the Corporation are hereby in all respects authorized, empowered and directed to issue 1,000 fully paid and nonassessable shares of the Common Stock of the Corporation to Little Woody Limited, an Isle of Man corporation for the consideration of $10.00 cash; and further

RESOLVED, that each of the persons listed below is hereby elected to serve as an officer of the Corporation in the office set forth opposite his name below for the ensuing year or until whichever of the following occurs first: his successor is duly elected and qualified, his resignation, his removal from office by the Board of Directors or his death.

Sharyl Robertson President, Secretary and Treasurer

AND FURTHER RESOLVED, that the President is hereby in all respects authorized for and on behalf of the Corporation to establish a banking relationship

with any bank, including such accounts with such bank as the President of the Corporation deems necessary, appropriate or desirable; that the form of any and all resolutions required by such bank in connection with the establishment of such accounts and approved by the President of the Corporation are hereby in all respects ratified, confirmed, approved and adopted; and that all such persons as may be authorized and approved by the President of the Corporation as signatories with respect to such accounts may act as signatories with respect to such accounts; and further

RESOLVED, that the Corporation hereby adopts the calendar year as its fiscal year for all financial reporting and tax purposes; and further

RESOLVED, that the Corporation hereby adopts, approves, ratifies and confirms all contracts (including employment contracts), leases, agreements and other actions taken or performed by the organizers, incorporators, promoters and current directors and officers of the Corporation, and any and all other transactions involving such persons that were entered into with a good faith belief that such transactions were for the benefit and on behalf of the Corporation; and further

RESOLVED, that the Corporation will pay all costs and expenses incurred by any incorporator, promoter, director or officer of the Corporation in connection with the promotion, creation, formation and incorporation of the Corporation; and further

RESOLVED, that if the seal or attestation of the signature of the President or any Vice President of the Corporation is required by any party in connection with any of the transactions contemplated by these resolutions, the Secretary or any Assistant Secretary of the Corporation is hereby authorized to attest, for and on behalf of the Corporation, the signature of the President or any Vice President of the Corporation upon any instrument, document or other writing executed on behalf of the Corporation by the President or any Vice President of the Corporation and to affix the seal of the Corporation thereto; and further

RESOLVED, that the appropriate officers of the Corporation are hereby authorized to execute and deliver such documents and take such action as they may deem necessary or appropriate to effect the intent and accomplish the purposes of the foregoing resolutions.

EXECUTED as of the 31st day of March, 1992.

Sharyl Robertson

Sharyl Robertson

207084d

WRITTEN CONSENT OF THE
BOARD OF DIRECTORS OF
LITTLE WOODY LIMITED

The undersigned being the sole member of the Board of Directors of Little Woody Limited, a Nevada corporation (the "Corporation"), does hereby consent in writing, pursuant to the provisions of Section 78.315 of the Nevada General Corporation Law, to the taking of the following action and the adoption of the following resolutions:

RESOLVED, that it is desirable and in the best interest of the Corporation that the Corporation purchase from Charles J. Wyly, Jr. (i) an option to purchase 166,500 shares of the Common Stock of Sterling Software, Inc. ("Sterling"); (ii) a Series B Warrant to purchase 101,181 shares of the Common Stock of Sterling; (iii) a Series E Warrant to purchase 16,000 shares of the Common Stock of Sterling; (iv) a Series E Warrant to purchase 32,000 shares of the Common Stock of Sterling; (v) a Series F Warrant to purchase 8,750 shares of the Common Stock of Sterling; and (vi) a Series F Warrant to purchase 11,500 shares of the Common Stock of Sterling in consideration of the entry by the Corporation into a Private Annuity Agreement in the form previously reviewed by the undersigned sole director of the Company (the "Annuity Agreement"); and be it further

RESOLVED, that the officers of the Corporation, or any of them, be, and they hereby are, authorized, empowered and directed to execute and deliver any and all transfer documents which they, or any of them, in their sole discretion deem to be necessary, appropriate or desirable in order to effect the foregoing transfer; and be it further

RESOLVED, that the officers of the Corporation, or any of them, be, and they hereby are, authorized, empowered and directed to take any and all actions which they, or any of them, in their sole discretion deem necessary, appropriate or desirable, further negotiate the terms of, execute, deliver and carry out the terms of the Annuity Agreement; and be it further

RESOLVED, that any documents heretofore executed or any actions heretofore taken by any of the officers of the Corporation in connection with the transactions herein described are hereby ratified and approved and deemed actions of the Corporation.

EXECUTED this 15th day of April, 1992.

Sharyl Robertson

Sharyl Robertson, being the sole director
of Little Woody Limited

84387/D

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 646

RECEIPT

The undersigned, Sharyl Robertson, the President, Secretary and Treasurer of each of the Nevada corporations listed below, on behalf of each such Nevada corporation, hereby acknowledges receipt from the Isle of Man Corporation listed opposite its name of $10.00 cash in consideration of the issuance by such Nevada corporation to such Isle of Man Corporation of 1,000 shares of Common Stock, $.01 par value of such Nevada corporation.

Nevada Corporation	Isle of Man Corporation
1. East Carroll Limited	1. East Carroll Limited
2. West Carroll Limited	2. West Carroll Limited
3. Morehouse Limited	3. Morehouse Limited
4. Richland Limited	4. Richland Limited
5. Tensas Limited	5. Tensas Limited
6. East Baton Rouge Limited	6. East Baton Rouge Limited
7. Little Woody Limited	7. Little Woody Limited
8. Roaring Creek Limited	8. Roaring Creek Limited
9. Roaring Fork Limited	9. Roaring Fork Limited
10. Maroon Limited	10. Rugosa Limited

Executed this 22nd day of April, 1992.

Sharyl Robertson,
Being the President, Secretary and Treasurer of each of the above-listed Nevada corporations

JDMR\207921\D

APR 21 1992

PRATTER, TEDDER & GRAVES
ATTORNEYS AT LAW

CENTURY CITY OFFICE
1901 AVENUE OF THE STARS
SIXTEENTH FLOOR
LOS ANGELES, CA 90067
TELEPHONE (213) 278-2287
FAX (213) 278-4849

ORANGE COUNTY OFFICE
1100 TOWN & COUNTRY ROAD
SUITE 700
ORANGE, CA 92668
TELEPHONE (714) 667-0170
FAX (714) 667-1864

REPLY TO_____

February 28, 1992

Mr. Sam Wyly
8080 North Central Expressway, Suite #1100
Dallas, Texas 75206

Dear Mr. Wyly:

You have requested the opinion of **PRATTER, TEDDER & GRAVES** concerning the 1992 federal income tax consequences that are likely to apply to the proposed sale of "Securities" herein defined and identified in Schedule A, in exchange for a private annuity, with such sale occurring during the 1992 taxable year.

Our analysis and opinion are based upon the facts and information as set forth herein and our assumption that these facts and information present a true, accurate, and complete description of the facts that are relevant to the proposed transaction described herein and the taxation issues we are addressing herein.

We have reviewed the various legal documents and other information in connection with this proposed plan. This opinion assumes that the program will be implemented in a manner that is unmodified from the proposed program described herein.

We have only been requested to examine the material federal tax aspects that relate to the proposed program described herein. We have not been requested to examine other laws and concerns that

Securities will equal the value of the annuity and that no gift or bargain sale or discounted sale price will arise as a result of the transaction. Further, it is our understanding that the private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by you with respect to this private annuity transaction.

The private annuity payments will not be chargeable to or dependent upon the Securities sold in exchange for the annuity. The amount of the annuity payments will be based on the fair market value of the Securities.

It is our further understanding that the domestic corporation intending to purchase the Securities in exchange for the issuance of the private annuity is wholly owned by a foreign corporation which is wholly-owned by a foreign nongrantor trust. This trust has been established by you for the benefit of one (1) or more foreign beneficiaries during your lifetime. We understand that during your lifetime the trust will have no United States beneficiaries, but in the taxable years following your death the trust may have one (1) or more beneficiaries who are United States citizens and/or resident aliens.

We understand that the private annuity is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

We further understand that the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. Any income generated by the Securities will belong to the corporation outright, and will not be chargeable to

PRIVATE ANNUITY AGREEMENT

THIS ANNUITY AGREEMENT (the "Agreement") is made and entered into on the date set forth below by and between Sam Wyly, of 8080 North Central Expressway, #1100, Dallas, Texas 75206, United States of America (the "Annuitant") and East Baton Rouge Limited, a Nevada corporation, of One East First Street, Reno, Nevada 89501, United States of America (the "Obligor").

RECITALS

1. The Annuitant is the sole and exclusive owner of the securities (the "Securities" identified in Schedule "A," attached hereto and incorporated herein by reference.

2. The Annuitant desires the receipt annually of a fixed amount of money beginning on the first day of the month following Annuitant's attaining the age of sixty-five (65) years and terminating upon the Annuitant's death.

3. The Annuitant desires the receipt of such funds regardless of the liquidity or profitability of the Obligor's investment in the Securities or any other investment hereinafter owned by the Obligor.

4. The Annuitant wishes to be relieved of the risk of loss and of the possible diminution in the value of the Securities.

5. The Annuitant wishes to sell and transfer the Securities to the Obligor the Securities in exchange for the receipt of a private annuity (the "Annuity").

6. The Obligor desires to acquire the Securities in exchange for the Obligor issuing the Annuity to the Annuitant according to the terms and conditions hereinafter set forth.

COVENANTS

IN CONSIDERATION of the mutual covenants, promises, and undertakings, the parties hereby agree to the following terms and conditions:

SECTION I: Consideration

1.1 Consideration.

a. In consideration of the Annuity being issued and payable under this Agreement, the Annuitant hereby sells, assigns, transfers, and sets over to the Obligor all of Annuitant's right, title, and interest in and to the Securities.

b. The Annuitant hereby expressly warrants:

1. The Annuitant is the sole and exclusive owner of the Securities being sold, assigned, transferred, and set over hereunder.

2. The Annuitant has the right and power to dispose of the Securities to the Obligor in accordance with the terms and conditions set forth herein.

c. The Obligor and the Annuitant agree that they will comply with and cooperate in the execution of any applicable corporate security transferability rules or restrictions pertaining to the transfer of the Securities.

d. The Obligor and the Annuitant hereby further agree to cooperate in the transmission of information, documentation, and communications between themselves or either of them and the respective issuer, its legal counsel, and its transfer agent, if any, and to fully cooperate with respect to the transfer and sale of the Securities being transferred and sold hereunder. The Obligor hereby expressly acknowledges that it has been adequately informed of the business and financial history of the companies issuing the Securities which are the subject of the Agreement. The Obligor hereby acknowledges and accepts the receipt of the Securities as of the effective date of this Agreement. The Annuitant expressly acknowledges that it is fully satisfied with the Annuity to be paid to the Annuitant hereunder, it is ready, willing, and able to assume the risks attendant with respect to the acquisition of an unsecured high risk private annuity. The Annuitant hereby expressly acknowledges that from the effective date of this Agreement the Annuitant shall retain no residual interest of any kind or character in the Securities being transferred and sold hereunder.

e. The Annuitant hereby agrees with, acknowledges, and consents to the sale of the Securities in consideration of the Obligor issuing the private annuity hereunder.

1.2 The Obligor to control the Securities at all times.

a. The Annuitant hereby agrees that in due course he will procure the transfer of the legal registration and title in and to the Securities being transferred and sold hereunder to the Obligor on the books and records of each issuing corporation, and will reasonably cooperate with the Obligor with respect to such transfer. The parties agree that in the interim the Securities may remain registered in the name of the Annuitant on the books and records of the issuing companies provided that title and registration in and to the Securities shall be held for the exclusive benefit and use of the Obligor pursuant to the terms and conditions set forth in this Agreement.

b. The Annuitant further agrees that the Annuitant will reasonably cooperate with respect to the execution and transmission of any and all pertinent documentation relating to his serving as an accommodation party for the benefit of the Obligor hereunder.

SECTION II: Annuity payments

2.1 Agreement as to Value. The parties hereto hereby stipulate that as of the effective date of this Agreement the fair market value of the Securities being transferred hereunder in exchange for the issuance of a private annuity is Six Million Six Hundred Nine Thousand Three Hundred Seventy Five Dollars ($6,609,375). The parties hereby stipulate that

the value of the Annuity being issued hereunder is specifically and expressly predicated and calculated upon such value.

2.2 **Birth Date of the Annuitant.** The parties hereby acknowledge the date of birth of the Annuitant as being October 4, 1934.

2.3 **Calculation of Value of the Annuity.** The parties hereby mutually acknowledge that the valuation of the Annuity hereunder shall be calculated pursuant to the United States of ~~America Internal Revenue Service valuation tables promulgated pursuant to United States~~ Internal Revenue Code Section 7520 as set forth in Internal Revenue Service Notice 89-60, Internal Revenue Bulletin 1989-22, May 1, 1989, specifically utilizing TABLE R (1), BASED ON LIFE TABLE 80CNSMT SINGLE LIFE REMAINDER FACTORS using an interest rate of EIGHT AND FOUR TENTHS percent (8.4%) pursuant to Revenue Ruling 92-23 TABLE 1 by using One Hundred Twenty Percent (120%) of the Applicable Mid-Term Federal Rates for April, 1992, the calendar month of the effective date of this Agreement, compounded on an annual basis, which is equal to EIGHT AND FORTY THREE ONE-HUNDREDTHS percent (8.43%), and then rounding such interest rate to the nearest Two-Tenths of One Percent (00.20%), which equals EIGHT AND FOUR TENTHS percent (8.4%), which coincides with the applicable federal rate set forth in TABLE 5 of Revenue Ruling 92-23, pertaining to the applicable federal rate for determining the present value of an annuity. Consequently, the annuity factor hereunder has been calculated by locating the single life remainder factor using an interest rate of EIGHT AND FOUR TENTHS percent (8.4%), and subtracting such factor from One (1.00000), and then dividing the remainder by the interest rate of EIGHT AND FOUR TENTHS percent (8.4%), with such annuity factor then being divided into the Six Million Six Hundred Nine Thousand Three Hundred Seventy Five Dollars ($6,609,375) stipulated fair market value of the Annuitant's share of the Securities that are being transferred and sold hereunder in exchange for the Annuity, to produce a quotient equal to the value and amount of each annual private annuity payment due and payable hereunder prior to the adjustment for the deferral of the commencement of the payment of such annuity payments as hereinafter set forth. As the annuity payments are payable hereunder on an annual basis the ADJUSTMENT FACTORS FOR ANNUITIES PAYABLE AT THE END OF EACH INTERVAL that are set forth in TABLE K of Notice 89-60 have been applied by using an adjustment factor equal to One (1.00000).

2.4 **The Annuity is a Retirement Annuity.**

a. The parties hereby acknowledge that the Annuity being issued hereunder is specifically intended to constitute a retirement annuity as the Annuitant desires to ensure that the Annuitant is assured of the receipt of a fixed amount of funds effective upon the Annuitant attaining the age of sixty-five (65) years, the presently anticipated retirement age of the Annuitant. The parties further acknowledge that the Obligor presently lacks the liquidity to easily make the annuity payments that would be required hereunder if the annuity payment commencement were not deferred. Such a deferral will thus facilitate the financial position of the Obligor. Consequently, the parties hereto hereby agree to defer the commencement of the annuity payments hereunder until October 4, 1999, being the Sixty-fifth (65th) birthday of the Annuitant.

b. To provide the Annuitant for Annuitant's benefit with the equivalent value of such deferral, the Obligor hereby specifically agrees to pay the Annuitant for Annuitant's benefit an additional interest factor of EIGHT AND FOUR TENTHS percent (8.4%) per annum on any annuity payments paid to the Annuitant to compensate for the deferral period, with such additional interest factor period to commence as of April 13, 1992, the effective date of this Annuity Agreement, and to terminate as of the date on which the first annuity payment is actually paid to the Annuitant.

c. The parties hereby mutually acknowledge and agree that absolutely no gift is intended to be made hereunder, and that the value of the Annuity is intended to equal the value of the interest of the Annuitant in the Securities being transferred in exchange therefore. The parties agree that the actual annuity payment calculations shall be made to comply with this intent. In the event it becomes necessary to retain the services of a qualified actuarial consultant to prepare the computation and calculation of the annuity payments consistent with this intent and the applicable United States tax law governing the valuation of annuities and annuity payments that are being made for full value free from any gift or donative element, the parties hereby agree to do so.

2.5 Termination of the Annuity.

a. The Annuity payments payable hereunder to the Annuitant are subject to a substantial risk of forfeiture to the Annuitant in that such Annuity payments shall terminate and lapse with the last payment immediately preceding the death of the Annuitant, or upon the death of the Annuitant if no payments have been made as of the death of the Annuitant; however, notwithstanding the foregoing, any annuity payments that were not made prior to the death of the Annuitant because of a breach of this Agreement by the Obligor shall be due and payable upon the death of the Annuitant together with any applicable interest, late charges, or other payments due hereunder, and any such payments shall be made to the estate of the Annuitant. There will be no proration of payments at the time of the death of the Annuitant or at anytime thereafter.

b. Consequently, the annuity payments payable hereunder shall be payable on an annual basis commencing on October 4, 1999, the Sixty-fifth (65th) birthday of the Annuitant, and terminating with the last payment immediately preceding the death of the Annuitant, or upon the death of the Annuitant if no payments have been made as of the death of the Annuitant.

2.6 No survivorship provisions. The parties hereby expressly agree that the annuity payment obligations of the Obligor hereunder shall terminate and lapse as expressed in Section 2.5, above, and no heir, legatee, creditor, or beneficiary of the Annuitant or of the estate of the Annuitant, nor the estate of the Annuitant himself or herself, shall have any rights whatsoever under this Agreement except as is expressly expressed in Section 2.5, above. The parties hereby expressly agree that the Annuity provided for herein shall contain no survivorship provision whatsoever except as is expressly expressed in Section 2.5, above.

2.7 Penalties for late payment. The parties hereby expressly agree that all payments due hereunder are to be promptly paid when and if such payments become due and payable. If

any payment is made later than twenty (20) days after such payment is due and payable, it shall carry a penalty assessment of EIGHT AND FOUR TENTHS percent (8.4%) of the amount due that is in arrears.

2.8 Usury Laws. The parties do not intend to violate any usury law or any other legal requirement. In the event that this Agreement is found to violate any applicable usury law, the parties agree that the interest charge shall be reduced to the maximum rate of interest permitted by the law that is applicable to this Agreement. In the event that a reduction in the applicable interest rate occurs pursuant to this provision, and such reduction produces an effective interest rate which imposes a gift element into the Annuity transaction, then in such case the parties shall thereupon be entitled to re-examine this Agreement and the transactions hereunder and may either rescind this Agreement and the transactions hereunder ab initio, or cancel this Agreement and the transactions hereunder, or continue this Agreement and the transactions hereunder under whatever terms and conditions the parties may agree between themselves.

SECTION III: Absence of security, guarantees, or collateral

3.1 No security interest with respect to the Securities. The parties hereby expressly agree that the Annuitant shall not retain any mortgage, lien, pledge, or security interest in or with respect to the Securities being transferred and sold hereunder. The parties hereby agree that there is and shall be no security or collateral for the payment of the Annuity hereunder. The parties further agree that the Obligor will not establish any security or any fund or other specific chargeable source for the payment of the purchase price (being the Annuity) hereunder. The Annuitant is aware of the economic risks generated by this situation, and acknowledges that he has deliberately assumed this risk because of the unwillingness of the Obligor to offer any security, guarantees, or collateral hereunder.

SECTION IV: Surrender of dominion and control over the Securities

4.1 Surrender of interest in the Securities by the Annuitant. Upon the execution of this Agreement, the Annuitant hereby agrees to surrender any and all ownership incidents and property interests in the Securities being transferred and sold hereunder together with the right to exercise dominion and control and voting power over the Securities.

SECTION V: Right of the Obligor to commingle property interests

5.1 Commingling permitted. The parties hereby acknowledge and agree that the Securities being transferred and sold hereunder may be commingled with any and all other assets that are, or may in the future be, owned by the Obligor. The parties further agree that the Obligor shall have the right to exercise full dominion and control over, and possess full ownership incidents in, the Securities being transferred and sold hereunder, subject to any liabilities, obligations, duties, or other claims mentioned herein.

SECTION VI: Annuity payments are not contingent upon earnings from the Securities being transferred hereunder

6.1 Annuity Payments not contingent upon earnings. The parties hereby acknowledge and agree that the Obligor shall be absolutely liable for the annuity payments due hereunder, and that such annuity payments are in no way or manner contingent upon the past, present or future profits, gains, or earnings of the Securities being transferred and sold hereunder, and are not chargeable to such Securities. The parties expressly acknowledge and agree that the amount of the annuity payments has been determined as a result of the valuation of the Securities being transferred and sold hereunder as of the effective date of this Agreement as expressed in greater detail in Section 2.3.

SECTION VII: Warranty of absence of liabilities

7.1 Warranties. The Annuitant hereby warrants that the Securities being transferred and sold hereunder are not (except as herein mentioned) subject to any liabilities, claims, encumbrances, or liens to which the Obligor is responsible for the payment thereof. The parties hereby agree that (except as herein mentioned) the responsibility for the payment of any such liabilities, claims, encumbrances, or liens that pertain to the Securities being transferred and sold hereunder shall belong to the Obligor and the Annuitant shall not be liable therefore. The parties further agree that after the effective date of this Agreement any future liabilities, claims, encumbrances, or liens that pertain to the Securities being transferred and sold hereunder shall be exclusively that of the Obligor and the Annuitant shall not be responsible therefore.

SECTION VIII: Indemnification

8.1 Indemnities.

a. The Annuitant hereby agrees to indemnify and hold the Obligor and the Securities being transferred and sold hereunder harmless and free from any liability arising because of the breach of any contract or other matter relating to the Securities being transferred and sold hereunder, provided such breach occurred or is alleged to have occurred prior to the effective date of this Agreement.

SECTION IX: Prorations

9.1 Prorations. The parties hereby agree to prorate any income, expense, gain, loss, or other financial consequence or other obligation connected with the Securities being transferred and sold hereunder, with such proration to be effective as of the effective date of this Agreement.

SECTION X: Full and adequate consideration

10.1 Full Consideration. In executing this Agreement, which consummates the transfer and sale of the Securities being transferred and sold hereunder, the parties expressly do not intend that any gift be made by any party. The parties expressly agree that it is their joint and mutual intent that the Annuitant on behalf of the Annuitant receives the full fair market value of the Securities being transferred and sold hereunder under the terms and conditions of this Agreement. The parties hereby mutually agree that should the Internal Revenue Service or

any other applicable taxing authority or a court of competent jurisdiction hold otherwise, the parties expressly reserve the right to either, upon their mutual agreement, rescind this Agreement ab initio or adjust the purchase price and the Annuity and thereby the annuity payments hereunder to reflect the fair market value of the Securities being transferred and sold hereunder as such value is determined by the Internal Revenue Service or other applicable taxing authority or such court, as the case may be. Notwithstanding the foregoing, the parties reserve the right to jointly or singly oppose such redetermination of the fair market value. If any adjustment to the annuity payment for the Securities of the Corporation being transferred and sold hereunder shall occur, such adjustment shall require that the party having been overpaid, or conversely the party having made insufficient payments, shall pay an annual interest charge of EIGHT AND FOUR TENTHS percent (8.4%) on any such adjustment, as the case may be. The adjustment, together with the said interest charge, shall be paid within ninety (90) days from the due date of the next scheduled annuity payment hereunder pursuant to the payment schedule dates calculated as set forth above. Should the parties hereunder choose or agree to rescind this Agreement under this Section:

a. Such rescission shall be based upon the mistake of fact or law with respect to the express intention of the parties as set forth herein; and

b. The parties hereby agree to restore each other, as much as it is reasonably practicable to do so, to their exact position as of the effective date of this Agreement.

The parties mutually acknowledge that this might involve the payment of interest to the Annuitant by the Obligor to compensate the Annuitant for the use by the Obligor of the Securities being transferred and sold hereunder from the effective date of this Agreement to the date on which the rescission becomes effective. The parties further mutually acknowledge that this might involve a calculation and payment to the Annuitant by the Obligor to compensate the Annuitant for the receipt by the Obligor of any stock rights, stock subscription rights, liquidating dividends, stock dividends, cash dividends, and subsequently issued securities pertaining to the ownership of the Securities being transferred and sold hereunder. The parties further recognize that it might not be possible to exactly restore the parties to their original position should a rescission occur hereunder. Should this occur, the parties hereby agree that they will strive to agree to a fair, just, and reasonable approach to such restoration. Should the parties be unable to agree to such an approach, the parties hereby agree to submit the resolution of the matter to arbitration pursuant to the procedure set forth in Section XIII of this Agreement.

SECTION XI: The Annuitant's physical and mental condition

11.1 **Condition of the Annuitant.** The Annuitant hereby warrants to the Obligor that the Annuitant is of average or better physical and mental condition for individuals in the United States of America of the age and gender of the Annuitant. The parties have taken this warranty into account in determining the possible consequences that might arise with respect to the anticipated actual life expectancy of the Annuitant.

SECTION XII: Notices

12.1 Notices.

a. The parties hereby mutually agree that any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to either party hereto by the other party hereto shall be in writing and shall be deemed to be duly served and given when personally delivered to the party to whom it is directed, or in lieu of such personal service seven (7) days after it is duly mailed to the party to whom it is directed, addressed to the party at the address of such party.

b. The address of the Annuitant is:

8080 North Central Expressway, #1100
Dallas, Texas 75206

The address of the Obligor is:

One East First Street
Reno, Nevada 89501

c. Any party may change such party's address for the purposes of this Agreement by giving written notice of such change to the other party to this Agreement in the manner provided in this Section.

SECTION XIII: Arbitration

13.1 **Arbitration.** The parties agree that in the event that any claim or controversy arising out or this Agreement cannot be resolved or settled by the parties or their legal representatives, such claim or controversy shall be determined and resolved by arbitration with each party being permitted to select one (1) arbitrator and the arbitrators so selected shall within ten (10) days from the date on which both such arbitrators have been selected, select a third neutral arbitrator who shall preside over the arbitration hearing in accordance with the laws of the State of Texas that pertain to arbitration proceedings. Each Arbitrator so selected hereunder shall participate in the arbitration proceeding and shall have one (1) vote each. The parties hereby agree that judgment upon any award or determination by the arbitration proceeding may be entered in any court that has jurisdiction thereof.

SECTION XIV: Legal fees

14.1 **Attorney's Fees.** The parties agree that should any arbitration or litigation be commenced between the parties hereto concerning this Agreement, the Securities being transferred and sold hereunder, or the rights and duties of the parties hereunder, the party who prevails in such arbitration or litigation, upon final determination thereof, shall be entitled, in addition to such other relief that my be granted, to a reasonable sum as and for attorney's fees, costs and disbursements. The amount of such attorney's fees, costs and disbursements shall, if

permissible, be determined by the arbitration proceeding or the judicial proceeding, as the case may be; or if impermissible then the amount of such attorney's fees, costs and disbursements shall be determined in separate judicial action that may be brought for the specific purpose of determining the amount of such attorney's fees, costs and disbursements that is reasonable and permissible hereunder.

SECTION XV: Intent to comply with all applicable laws The parties hereby mutually agree that it is their intent to fully comply with all laws that are applicable to this Agreement.

SECTION XVI: Non-assignability by the Annuitant The parties hereby agree that neither this Agreement nor any interest herein shall be either assignable or transferable or capable of being pledged or otherwise encumbered by the Annuitant without the prior written consent of the Obligor first being obtained. The Obligor may freely sell, encumber, transfer, and/or assign its interest in the Securities and/or the proceeds therefrom without obtaining the consent of the Annuitant.

SECTION XVII: Annuity agreement The parties hereby agree that this Agreement is intended to constitute and does constitute a private annuity agreement, and the parties specifically do not intend that this Agreement constitutes a partnership agreement, joint venture agreement, or any other type of contractual arrangement other than a private annuity agreement.

SECTION XVIII: Entire agreement This Agreement contains the entire agreement of the parties hereto with respect to the transfer and sale of the Securities being transferred hereunder. There are no representations, agreements, arrangements, or undertakings, either oral or written, between the parties hereto that relate to the subject matter contained herein that have not been fully expressed herein. Any such representation, agreement, arrangement, or undertaking that has not been fully expressed herein is hereby deemed to be null and void. Notwithstanding anything to the contrary set forth herein, the parties hereby agree and acknowledge that it is likely that the they will be required to execute other legal instrumentation relating to the transfer of the Securities being transferred and sold hereunder and/or the issuance of the Annuity in order to effectuate the transfer and sale as set forth herein. The parties hereby mutually agree to cooperate with the execution of any such documentation that may reasonably be required to effectuate the transfer and sale of the Securities being transferred hereunder and the issuance of the Annuity as set forth herein.

SECTION XIX: Governing law The parties hereby expressly agree that this Agreement and its interpretation, construction, and enforcement shall be governed by the laws of the State of Texas and the resolution of any dispute shall be resolved under the judicial system of the State of Texas.

SECTION XX: Inurement The parties hereby agree that this Agreement shall inure to the benefit of, and be binding upon the permissible successors and assigns of the parties hereto.

SECTION XXI: Amendments This Agreement may be amended, altered, supplemented or modified (herein collectively called an "amendment"), and any provision hereof waived, but only by a written agreement executed or signed by all the parties hereto or by the party to whom such

amendment or waiver relates or is applicable. If any conflict arises between the provisions of this Agreement and any amendments hereto, the most recent provision shall control.

SECTION XXII: **Effective date** The effective date of this Agreement shall be April 13, 1992.

SECTION XXIII: **Additional annuities are barred to the Obligor** The Obligor hereby expressly agrees and consents to neither issue nor assume any annuity obligation whatsoever during the duration of the Annuity issued hereunder.

IN WITNESS WHEREOF, the parties to this Agreement do hereby execute this Agreement on the dates set forth below.

THE ANNUITANT:

Sam Wyly

THE OBLIGOR:

EAST BATON ROUGE LIMITED

By: Sharyl Roberson
Title: President

post/207046/D

SCHEDULE "A"

1. Non-Statutory Stock Option to purchase 200,000 shares of the Common Stock, $0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated February 2, 1988, amended August 8, 1989 and October 24, 1990.

2. Non-Statutory Stock Option to purchase 175,000 shares of the Common Stock, $0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 22, 1990, amended October 24, 1990.

APPENDIX B

STERLING SOFTWARE, INC.

NON-STATUTORY STOCK OPTION PLAN
(As amended, through January 31, 1994)

1. *Purpose.* The purpose of the Non-Statutory Stock Option Plan of Sterling Software, Inc. (the "Plan") is to provide key employees and advisors with a proprietary interest in Sterling Software, Inc., a Delaware corporation, and its subsidiaries (the "Company") through the granting of options ("Option" or "Options") to purchase shares of the Company's authorized Common Stock, par value $0.10 per share ("Common Stock"), in order to:

a. Increase the interest in the Company's welfare of those key employees and advisors who share primary responsibility for the management, growth and protection of the business of the Company;

b. Recognize the contributions made by certain key employees and advisors to the Company's growth during its development stage;

c. Furnish an incentive to such key employees and advisors to continue their services for the Company; and

d. Provide a means through which the Company may attract able persons to engage as key employees and advisors.

With respect to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent that any provision of the Plan or action by the Committee (as defined in Section 2) fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

2. *Administration.* The Plan shall be administered by the Board of Directors of the Company (the "Board of Directors" or "Board") or by a Stock Option Committee (the "Stock Option Committee") consisting of such number of directors as are appointed by the Board from time to time in accordance with the requirements of Rule 16b-3. As used herein, "Committee" shall mean the Board or the duly appointed Stock Option Committee, as applicable. No member of the Committee shall take any action with respect to Options granted to such member. The Board of Directors shall choose an additional member or members of the Board to serve on the Committee for the sole purpose of making decisions pursuant to the Plan with regard to the member of the Committee receiving the Options. Except as otherwise provided by the terms of this Plan or by the Board, the Committee shall have all the power and authority of the Board hereunder.

The Committee shall have full and final authority in its discretion, but subject to the provisions of the Plan, to determine from time to time the individuals to whom Options shall be granted and the number of shares to be covered by each Option; to determine the time or times at which Options shall be granted; to interpret the Plan and the instruments by which Options will be evidenced; to make, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the instruments by which Options shall be evidenced; with the consent of the Participant (as defined in Section 3), to modify or amend any Option agreement or waive any conditions or restrictions applicable to any Option or the exercise thereof; and to make all other determinations necessary or advisable for the administration of the Plan. Non-employee members of the Board ("non-employee directors") shall not be eligible to receive Options under the Plan except as expressly provided in Section 22.

3. *Participants.* The Committee may, from time to time, select particular key employees and advisors of the Company, or of any subsidiary of the Company, to whom Options are to be granted, and upon the grant of such Options, the selected key employees and advisors shall become Participants in

the Plan. As used herein, the term "Participant" means a key employee or advisor who accepts an Option, or the estate, personal representative or beneficiary thereof having the right to exercise an Option pursuant to its terms.

4. *Shares Subject to the Plan.* The shares of Common Stock subject to Options granted pursuant to the Plan shall be either shares of authorized but unissued Common Stock or shares of Common Stock reacquired by the Company. Shares that by reason of the expiration of an Option, or for any other reason, are no longer subject to purchase pursuant to an Option granted under the Plan, and shares from time to time rendered in payment of the exercise price of Options, may be made subject to additional Options granted pursuant to the Plan. The maximum aggregate number of shares of Common Stock that may be issued from time to time pursuant to the Plan shall be 4,000,000; provided that the Committee may adjust the number of shares available for Options, the number of shares subject to and the exercise price of Options granted hereunder to effect a change in capitalization of the Company, such as a stock dividend, stock split, reverse stock split, share combination, exchange of shares, merger, consolidation, reorganization, liquidation, or the like, of or by the Company.

5. *Grant of Options.* Options granted hereunder shall be evidenced by written stock option agreements containing such terms and provisions as are recommended and approved from time to time by the Committee, but subject to and not more favorable than the terms of the Plan. The Committee may from time to time require additional terms which the Committee deems necessary or advisable. The Company shall execute stock option agreements upon instruction from the Committee.

6. *Maximum Amount of Stock Subject to Options.* Subject to Section 21, the maximum aggregate fair market value (determined as of the time the Option is granted) of the Common Stock for which any Participant may be granted Options in any calendar year shall be determined by the Committee in its discretion.

7. *Option Exercise Price.* The purchase price of Common Stock subject to an Option granted pursuant to the Plan shall be no less than the fair market value of the Common Stock on the date of grant.

8. *Restrictions.* The Committee may, but need not, at the time of granting of an Option or at any subsequent time impose such restrictions, if any, on issuance, voluntary disposition and release from escrow of any Options including, without limitation, permitting exercise of Options only in installments over a period of years.

9. *Payment.* Full payment for Common Stock purchased upon the exercise of an Option shall be made at the time of exercise. No Common Stock shall be issued until full payment has been made and a Participant shall have none of the rights of a shareholder until shares of Common Stock are issued to him. Any federal, state or local taxes required to be paid or withheld at the time of exercise shall also be paid or withheld in full prior to any delivery of shares of Common Stock upon exercise. Payment may be made in cash, in shares of Common Stock then owned by the Participant, or in any other form of valid consideration, or a combination of any of the foregoing, as required by the Committee in its discretion. Shares of Common Stock tendered in payment of the exercise price of any Options may be reissued to the Participant who tendered the shares of Common Stock as part of the shares of Common Stock issuable upon exercise of other Options granted from time to time pursuant to the Plan.

10. *Transferability of Options.* Options granted under the Plan shall not be transferable other than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended (the "Code"), or Title I of the Employee Retirement Income Security Act ("ERISA"), or the rules thereunder. The designation by the holder of an Option of a beneficiary shall not constitute a transfer of the Option.

11. *Time of Granting of an Option.* The grant of an Option pursuant to the Plan shall occur only when a written Option agreement shall have been duly executed and delivered by or on behalf of the Company to the Participant.

12. *Rights in Event of Death or Disability of Participant.* The Committee shall have discretion to include in each Option agreement such provisions regarding exercisability of the Options following the death or disability of the Participant as it, in its sole discretion, deems to be appropriate.

13. *Termination of Option Rights and Awards.* The Committee may provide in each Option agreement for the circumstances under which Options granted hereunder may terminate for any reason that the Committee, in its sole discretion, deems appropriate.

14. *Stock Purchased for Investment.* At the discretion of the Committee, any Option agreement may provide that the Option holder shall, by accepting an Option, represent and agree on behalf of himself and his transferees by will or the laws of descent and distribution that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of an Option, the person entitled to exercise the same shall furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares of Common Stock are being acquired in good faith and for investment and not for resale or distribution.

15. *Amendment or Discontinuation.* The Plan may be amended, altered or discontinued by the Board or, if the Board has specifically delegated this authority to the Committee, by the Committee, without approval of the stockholders. In the event any law, or any rule or regulation issued or promulgated by the Internal Revenue Service, Securities and Exchange Commission, National Association of Securities Dealers, Inc., any stock exchange upon which the Common Stock is listed for trading or other governmental or quasi-governmental agency having jurisdiction over the Company, its Common Stock or the Plan requires the Plan to be amended, the Plan will be amended at that time and all Options then outstanding will be subject to such amendment.

16. *Employment.* This Plan and any Option granted under this Plan do not confer upon the Participant any right to be employed or to continue employment with the Company.

17. *No Obligation to Exercise Option.* The granting of an Option pursuant to the Plan shall not impose any obligation upon the Participant to exercise such Option.

18. *Termination.* Unless sooner terminated by action of the Board or, if the Board has specifically delegated its authority to terminate the Plan to the Committee, by the Committee, the Plan shall terminate on December 31, 2011, and no Options may be granted pursuant to the Plan after such date.

19. *Use of Proceeds.* The proceeds derived from the sale of stock pursuant to Options granted under the Plan shall constitute general funds of the Company.

20. *Effective Date of the Plan.* The Plan shall be effective, as amended, immediately upon approval of the Board of Directors of the Company.

21. *Limitations on Options Granted to Directors.* The following limitations shall apply to Options granted to directors in order to comply with Rule 16b-3(b)(1)(iii) promulgated under the Exchange Act:

a. In addition to the limitations included in Section 6 hereof, the maximum aggregate number of shares of Common Stock which may be issued pursuant to Options granted to all directors as a group under this Plan shall not exceed 50% of the aggregate shares of Common Stock for which Options may be granted under the Plan, subject to adjustment as provided in Section 4 hereof;

b. The purchase price for shares of Common Stock acquired pursuant to the exercise, in whole or in part, of any Option shall be 100% of the fair market value of the Common Stock on the date of grant of such Option;

c. Options granted to directors pursuant to the Plan may be granted only during the term of the Plan;

d. Options granted to directors pursuant to the Plan shall not be exercisable for a period of twelve calendar months from the date of grant of such Options; and

e. Options granted to directors pursuant to the Plan shall expire no later than five (5) years from the date on which the Options are granted.

The limitations set forth in this Section 21 shall cease to apply effective as of the date of the Company's adoption with respect to this Plan of Rule 16b-3 as promulgated under the Exchange Act effective May 1991 ("New Rule 16b-3").

22. *Automatic Grants to Non-Employee Directors.* Grants to non-employee directors on or after the date of the Company's adoption with respect to this Plan of New Rule 16b-3 shall be solely pursuant to the following formula: each non-employee director elected or appointed to the Board will receive, at the time of his or her initial election or appointment, an automatic grant of Options to purchase 40,000 shares of Common Stock. In addition, during the term of this Plan, each non-employee director will receive an additional automatic grant of Options to purchase 40,000 shares of Common Stock every five years on the anniversary date of his or her initial election or appointment to the Board, beginning on the fifth anniversary of his or her initial election or appointment to the Board; provided that such non-employee director has served continuously as a director of the Company since the date of his or her initial election or appointment to the Board. The exercise price of each such Option will be equal to the fair market value of the Common Stock on the date of grant. Each such Option will become exercisable in cumulative annual installments of one-fourth of the shares covered by the grant, commencing one year after the date of grant, and will expire five years from the date of grant; provided that each such Option will become immediately exercisable with respect to 100% of the shares covered by the grant in the event of a change of control. A change of control is deemed to occur (i) when any person, other than Sam Wyly or Charles J. Wyly, Jr., or an affiliate of either of them, becomes the beneficial owner of securities of the Company representing 20% or more of the combined voting power of the Company's outstanding securities, (ii) if, during any three consecutive years, individuals who constitute the Board of Directors at the beginning of such period cease to constitute a majority of the Board of Directors or (iii) upon the occurrence of any event that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act. This section shall not be amended more than once in any six-month period, other than to comport with changes in the Code or ERISA, or the rules thereunder.

STERLING SOFTWARE, INC.

By: /s/ STERLING L. WILLIAMS
Sterling L. Williams
President and Chief Executive Officer

MICHAELS STORES, INC.

NON-STATUTORY STOCK OPTION PLAN

SECTION 1. *Purpose.* The purpose of this Michaels Stores, Inc. (the "Company") Non-Statutory Stock Option Plan (the "Plan") is to promote the growth and general prosperity of the Company by permitting the Company to grant options to purchase shares of its Common Stock to its full-time, key employees. This Plan is designed to help attract and retain superior personnel for positions of substantial responsibility with the Company and its subsidiaries and to provide key employees with an additional incentive to contribute to the success of the Company. Any option granted pursuant to this Plan shall be clearly and specifically designated as not being an incentive stock option, as defined in Section 422A(b) of the Internal Revenue Code of 1954, as amended (the "Code"). This Plan is part of the Company's Key Employee Stock Compensation Program (the "Program"). Unless any provision herein indicates to the contrary, this Plan shall be subject to the General Provisions of the Program.

SECTION 2. *Option Terms and Conditions.* The terms and conditions of options granted under this Plan may differ from one another as the Committee shall in its discretion determine so long as all options granted under this Plan satisfy the requirements of this Plan.

SECTION 3. *Duration of Options.* Each option granted pursuant to this Plan and all rights thereunder shall expire on the date determined by the Committee, but in no event shall any option granted under this Plan expire later than ten years from the date on which the option is granted. In addition, each option shall be subject to early termination as provided in this Plan.

SECTION 4. *Purchase Price.* The purchase price for shares acquired pursuant to the exercise, in whole or in part, of any option shall not be less than fifty percent (50%) of the fair market value of the shares at the time of the grant of the option. Fair market value shall be determined by the Committee on the basis of such factors as it deems appropriate; provided that if at the time the determination of fair market value is made those shares are admitted to trading on a national securities exchange for which sale prices are regularly reported, the fair market value of those shares shall not be less than the lower of (i) the mean between the closing bid and asked prices reported for or (ii) the last trade price of a 100-share lot of the Common Stock on that exchange on the day or most recent trading day preceding the date on which the option is granted. For purposes of the preceding sentence, the term "national securities exchange" shall include the National Association of Securities Dealers Automated Quotation System and the over-the-counter market.

SECTION 5. *Exercise of Options.* Each option shall be exercisable in one or more installments during its term, and the right to exercise may be cumulative as determined by the Committee. No option may be exercised for a fraction of a share of Common Stock. The purchase price of any shares purchased shall be paid at the time of exercise of the option either (i) in cash, (ii) by certified or cashier's check, (iii) by delivery of shares of Common Stock, if permitted by the Committee, (iv) by delivery of a copy of irrevocable instructions from the optionholder to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares purchased upon exercise of the option or pledge them as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price or (v) by cash or certified or cashier's check for the par value of the stock plus a promissory note for the balance of the exercise price, which note shall provide for full personal liability of the maker and shall contain such other terms and provisions as the Committee may determine, including without limitation the right to repay the note partially or wholly with Common Stock. If any portion of the purchase price or a note given at the time of exercise is paid in shares of Common Stock, those shares shall be tendered at their then fair market value as determined by the Committee in accordance with Section 4 of this Plan.

SECTION 6. *Acceleration of Right of Exercise of Installments.* Notwithstanding the first sentence of Section 5 of this Plan, if the Company or its shareholders enter into an agreement to dispose of all or substantially all of the assets or stock of the Company by means of a sale, merger or other reorganization,

liquidation, or otherwise, any option granted pursuant to this Plan shall become immediately exercisable with respect to the full number of shares subject to that option during the period commencing as of the date of the agreement to dispose of all or substantially all of the assets or stock of the Company and ending when the disposition of assets or stock contemplated by that agreement is consummated or the option is otherwise terminated in accordance with its provisions or the provisions of this Plan, whichever occurs first; provided that no option shall be immediately exercisable under this Section 6 on account of any agreement of merger or other reorganization where the shareholders of the Company immediately before the consummation of the transaction will own at least 50% of the total combined voting power of all classes of stock entitled to vote of the surviving entity (whether the Company or some other entity) immediately after the consummation of the transaction. In the event the transaction contemplated by the agreement referred to in this Section 6 is not consummated, but rather is terminated, cancelled or expires, the options granted pursuant to this Plan shall thereafter be treated as if that agreement had never been entered into.

Notwithstanding the first sentence of Section 5 of this Plan, in the event of a change in control or threatened change in control of the Company, all options granted prior to such change in control or threatened change in control shall become immediately exercisable. The term "control" for purposes of this Section 6 shall refer to the acquisition of 10% or more of the voting securities of the Company by any person or by persons acting as a group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; provided that for purposes of this Plan, no change in control or threatened change in control shall be deemed to have occurred if prior to the acquisition of, or offer to acquire, 10% or more of the voting securities of the Company, the full Board of Directors shall have adopted by not less than two-thirds vote a resolution specifically approving such acquisition or offer. The term "person" for purposes of this Section 6 refers to an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein.

SECTION 7. *Written Notice Required.* Any option granted pursuant to this Plan shall be exercised when written notice of that exercise has been given to the Company at its principal office by the person entitled to exercise the option and full payment for the shares with respect to which the option is exercised has been received by the Company.

SECTION 8. *Compliance with Securities Laws.* Shares of Common Stock shall not be issued with respect to any option granted under this Plan unless the exercise of that option and the issuance and delivery of those shares pursuant thereto shall comply with all relevant provisions of state and federal law, including without limitation the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Committee may also require an employee to whom an option has been granted ("Optionee") to furnish evidence satisfactory to the Company, including a written and signed representation letter and consent to be bound by any transfer restriction imposed by law, legend, condition or otherwise, that the shares are being purchased only for investment and without any present intention to sell or distribute the shares in violation of any state or federal law, rule or regulation. Further, each Optionee shall consent to the imposition of a legend on the certificate representing the shares of Common Stock issued upon the exercise of the option restricting their transferability as required by law or by this Section.

SECTION 9. *Employment of Optionee.* Each Optionee, if requested by the Committee, must agree in writing as a condition of the granting of his or her option, to remain in the employ of the Company, or any of its subsidiaries, following the date of the granting of that option for a period specified by the Committee, which period shall in no event exceed three years. Nothing in this Plan or in any option granted hereunder shall confer upon any Optionee any right to continued employment by the Company or any of its subsidiaries, or limit in any way the right of the Company or any subsidiary at any time to terminate or alter the terms of that employment.

SECTION 10. *Option Rights upon Termination of Employment.* If an Optionee ceases to be employed by the Company or any subsidiary for any reason other than retirement, death or disability, his or her

option shall immediately terminate; provided that the Committee may, in its discretion, allow the option to be exercised (to the extent exercisable on the date of termination of employment) at any time within three months after the date of termination of employment, unless either the option or this Plan otherwise provides for earlier termination. An employee retiring under a qualified retirement plan of the Company shall automatically be allowed a three month period following termination due to retirement in which to exercise his or her option.

SECTION 11. *Option Rights upon Disability.* If an Optionee becomes disabled within the meaning of Section 105(d)(4) of the Code while employed by the Company or any subsidiary, the Committee, in its discretion, may allow the option to be fully exercised, at any time within one year after the date of such termination, unless either the option or this Plan otherwise provides for earlier termination.

SECTION 12. *Option Rights upon Death of Optionee.* Except as otherwise limited by the Committee at the time of the grant of an option, if an Optionee dies while employed by the Company or any subsidiary, or within three months after ceasing to be an employee thereof, his or her option shall expire one year after the date of death unless by its terms it expires sooner. During this one year or shorter period, the option may be fully exercised, to the extent that it remains unexercised on the date of death, by the person or persons to whom the Optionee's rights under the option shall pass by will or by the laws of descent and distribution.

SECTION 13. *Options Not Transferable.* Options granted pursuant to this Plan may not be sold, pledged, assigned or transferred in any manner otherwise than by will or the laws of descent and distribution and may be exercised during the lifetime of an Optionee only by that Optionee or by his guardian or legal representative.

SECTION 14. *Adjustments to Number and Purchase Price of Optioned Shares.* All options granted pursuant to this Plan shall be adjusted in the manner prescribed by Article 7 of the General Provisions of the Program.

SECTION 15. *Reports to Shareholders.* The Company shall furnish to each Optionee a copy of the annual report sent to the Company's shareholders. Upon written request, the Company shall furnish to each Optionee a copy of its most recent Form 10-K Annual Report and each quarterly report to shareholders issued since the end of the Company's most recent fiscal year.

SECTION 16. *Limitations on Options Granted to Directors.* The following limitations shall apply to options granted to directors in order to comply with Rule 16(b)-3 (b)(1)(iii) promulgated under the Securities Exchange Act of 1934, as amended: (a) the maximum aggregate number of shares of Common Stock which may be issued pursuant to options granted to all directors as a group under this Plan shall not exceed 50% of the aggregate shares of Common Stock for which options may be granted under this Plan, subject to adjustment as provided in Article 7 of the General Provisions of the Program; (b) the purchase price for shares of Common Stock acquired pursuant to the exercise, in whole or in part, of any option shall be 100% of the fair market value of the Common Stock on the date of grant of such option; (c) options granted to directors pursuant to this Plan may be granted only during the ten-year period this Plan is in effect; (d) options granted to directors pursuant to this Plan shall not be exercisable for a period of twelve calendar months after the date of grant of such options; and (e) options granted to directors pursuant to this Plan shall expire no later than five years after the date on which the options are granted.

NON-STATUTORY STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Charles J. Wyly, Jr., an employee, director or other adviser of the Company or one of its subsidiaries (the "Participant"). The Company and the Participant agree as follows:

1. Grant of Option. Pursuant to a duly adopted resolution of the Board of Directors of the Company or a duly appointed committee thereof (collectively referred to herein as the "Board"), the Company hereby grants to the Participant an option (the "Option") to purchase from the Company a total of 333,000 shares of the Company's common stock, par value $0.10 per share ("Common Stock"), at an exercise price per share of $13.00 (Thirteen and no/100 dollars) (the "Exercise Price"), in the amounts, during the periods and upon the terms and conditions set forth herein.

2. Time of Exercise. The Option may be exercised, in whole or in part, according to the following schedule:

Percentage Exercisable	Period
100%	Immediately

The unexercised portion of the Option from one annual period may be carried over to a subsequent annual period or periods and the right of the Participant to exercise the Option as to such unexercised portion shall continue for the entire term. In no event may the Option be exercised in whole or in part, however, after the expiration of the term described in Section 3 below.

3. Term. The Option and all rights incident thereto shall terminate 5 years from September 16, 1986.

4. Restrictions on Exercise. The Option:

(a) May be exercised only with respect to full shares and no fractional shares of Common Stock shall be issued upon exercise of the Option; and

(b) May be exercised in whole or in part, but no certificates representing shares subject to the Option shall be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Option, or issuance of securities upon such exercise, shall not have been taken or secured.

5. Manner of Exercise. The Option shall be exercised by written notice to the Company of the number of shares being purchased and the Exercise Price to be paid, accompanied by the following:

(a) full payment of the Exercise Price in United States dollars, or in shares of Common Stock then owned by the Participant, or in any other form of valid consideration, or a combination of any of the foregoing as required by the Board in its discretion; and

(b) an undertaking to furnish or execute such documents as the Company in its discretion shall deem necessary (i) to evidence such exercise of the Option, (ii) to determine whether registration is then required under the Securities Act of 1933, as then in effect and (iii) to comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

If Common Stock is to constitute all or any portion of the Exercise Price, it shall be valued at its fair market value, as determined by the Board on the basis of such factors as the Board may deem appropriate; provided that if at the time the determination of fair market value is made, the shares of Common Stock are admitted to trading on a national securities exchange for which sale prices are regularly reported, the fair market value of the shares shall not be less than the lower of (i) the mean between the closing bid and asked prices reported for, or (ii) the closing price of, the Common Stock on that exchange on the most recent trading day preceding the date on which the Option is exercised. For purposes of the preceding sentence, the term "national securities exchange" shall include the National Association of Securities Dealers Automated Quotation System and the over-the-counter market. Any federal, state or local taxes required to be paid or withheld at the time of exercise shall be paid or withheld in full prior to any delivery of shares upon exercise. Upon due exercise of the Option, the Company shall issue such shares registered in the name of the person exercising the Option.

6. Non-Transferability of Options. This Option is not assignable or transferable by the Participant otherwise than by will or the laws of descent and distribution and during the lifetime of the Participant may only be exercised by him.

7. Rights as Stockholder. Neither the Participant nor any of the Participant's beneficiaries shall be deemed to have any rights as a stockholder with respect to any shares covered by

the Option until the issuance of a certificate to the Participant for such shares.

8. Capital Adjustments. The number of shares of Common Stock covered by the Option evidenced by this Agreement, and the Exercise Price thereof, shall be subject to adjustment to reflect any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, separation, reorganization, liquidation, or the like of, or in any manner involving the Company. Except as provided in this Section 8, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of the certificate or certificates representing shares issued pursuant to the Option.

9. Rights in Event of Death of Participant. If the Participant dies prior to termination of the Participant's rights to exercise the Option in accordance with the provisions of this Agreement without having exercised the Option as to all shares covered thereby, the Option may be exercised as to the unexercised portion and subject to all conditions of this Agreement by the participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance or by reason of the death of the Participant, provided the period during which the Option may be so exercised shall not continue beyond the expiration of the Option or one year from the date of the Participant's death, whichever date first occurs.

10. Stock Purchased for Investment. Unless the shares are covered by a then current and effective registration statement under the Securities Act of 1933, as then in effect, the Participant, by accepting the Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees by will or the laws of descent and distribution that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of the Option, the person entitled to exercise the same shall furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution.

11. Notices. Each notice relating to this Agreement shall be in writing and delivered in person or by certified mail to the proper address. Each notice shall be deemed to have been given on the date it is received. Each notice to the Company shall be addressed to it at its principal office, now 8080 North Central Expressway, Dallas, Texas, 75206, attention of the Secretary. Each notice to the Participant or other person or persons then entitled to exercise the Option shall be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. No Obligation to Exercise Option. This Agreement does not impose any obligation upon the Participant to exercise the Option.

13. Law Governing. This Agreement is intended to be performed in the State of Texas and shall be construed and enforced in accordance with and governed by the laws of such State, except as to matters of corporate law, which shall be governed by the laws of Delaware.

14. Use of Proceeds. The proceeds derived from the sale of stock pursuant to this Option shall constitute general funds of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 16th day of September 1986.

STERLING SOFTWARE, INC.

By _____
Sterling L. Williams, President
and Chief Executive Officer

PARTICIPANT

_____
Signature

Charles J. Wyly, Jr.
Print Name

Address for Notice

8080 N. Central Expressway

Dallas, Texas 75206

86-82

NON-STATUTORY STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Sam Wyly, an employee, director or other adviser of the Company or one of its subsidiaries (the "Participant"). The Company and the Participant agree as follows:

1. Grant of Option. Pursuant to a duly adopted resolution of the Board of Directors of the Company or a duly appointed committee thereof (collectively referred to herein as the "Board"), the Company hereby grants to the Participant an option (the "Option") to purchase from the Company a total of 667,000 shares of the Company's common stock, par value $0.10 per share ("Common Stock"), at an exercise price per share of $13.00 (Thirteen and no/100 dollars) (the "Exercise Price"), in the amounts, during the periods and upon the terms and conditions set forth herein.

2. Time of Exercise. The Option may be exercised, in whole or in part, according to the following schedule:

Percentage Exercisable	Period
100%	Immediately

The unexercised portion of the Option from one annual period may be carried over to a subsequent annual period or periods and the right of the Participant to exercise the Option as to such unexercised portion shall continue for the entire term. In no event may the Option be exercised in whole or in part, however, after the expiration of the term described in Section 3 below.

3. Term. The Option and all rights incident thereto shall terminate 5 years from September 16, 1986.

4. Restrictions on Exercise. The Option:

(a) May be exercised only with respect to full shares and no fractional shares of Common Stock shall be issued upon exercise of the Option; and

(b) May be exercised in whole or in part, but no certificates representing shares subject to the Option shall be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Option, or issuance of securities upon such exercise, shall not have been taken or secured.

5. Manner of Exercise. The Option shall be exercised by written notice to the Company of the number of shares being purchased and the Exercise Price to be paid, accompanied by the following:

(a) full payment of the Exercise Price in United States dollars, or in shares of Common Stock then owned by the Participant, or in any other form of valid consideration, or a combination of any of the foregoing as required by the Board in its discretion; and

(b) an undertaking to furnish or execute such documents as the Company in its discretion shall deem necessary (i) to evidence such exercise of the Option, (ii) to determine whether registration is then required under the Securities Act of 1933, as then in effect and (iii) to comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

If Common Stock is to constitute all or any portion of the Exercise Price, it shall be valued at its fair market value, as determined by the Board on the basis of such factors as the Board may deem appropriate; provided that if at the time the determination of fair market value is made, the shares of Common Stock are admitted to trading on a national securities exchange for which sale prices are regularly reported, the fair market value of the shares shall not be less than the lower of (i) the mean between the closing bid and asked prices reported for, or (ii) the closing price of, the Common Stock on that exchange on the most recent trading day preceding the date on which the Option is exercised. For purposes of the preceding sentence, the term "national securities exchange" shall include the National Association of Securities Dealers Automated Quotation System and the over-the-counter market. Any federal, state or local taxes required to be paid or withheld at the time of exercise shall be paid or withheld in full prior to any delivery of shares upon exercise. Upon due exercise of the Option, the Company shall issue such shares registered in the name of the person exercising the Option.

6. Non-Transferability of Options. This Option is not assignable or transferable by the Participant otherwise than by will or the laws of descent and distribution and during the lifetime of the Participant may only be exercised by him.

7. Rights as Stockholder. Neither the Participant nor any of the Participant's beneficiaries shall be deemed to have any rights as a stockholder with respect to any shares covered by

the Option until the issuance of a certificate to the Participant for such shares.

8. Capital Adjustments. The number of shares of Common Stock covered by the Option evidenced by this Agreement, and the Exercise Price thereof, shall be subject to adjustment to reflect any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, separation, reorganization, liquidation, or the like of, or in any manner involving the Company. Except as provided in this Section 8, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of the certificate or certificates representing shares issued pursuant to the Option.

9. Rights in Event of Death of Participant. If the Participant dies prior to termination of the Participant's rights to exercise the Option in accordance with the provisions of this Agreement without having exercised the Option as to all shares covered thereby, the Option may be exercised as to the unexercised portion and subject to all conditions of this Agreement by the participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance or by reason of the death of the Participant, provided the period during which the Option may be so exercised shall not continue beyond the expiration of the Option or one year from the date of the Participant's death, whichever date first occurs.

10. Stock Purchased for Investment. Unless the shares are covered by a then current and effective registration statement under the Securities Act of 1933, as then in effect, the Participant, by accepting the Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees by will or the laws of descent and distribution that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of the Option, the person entitled to exercise the same shall furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution.

11. Notices. Each notice relating to this Agreement shall be in writing and delivered in person or by certified mail to the proper address. Each notice shall be deemed to have been given on the date it is received. Each notice to the Company shall be addressed to it at its principal office, now 8080 North Central Expressway, Dallas, Texas, 75206, attention of the Secretary. Each notice to the Participant or other person or persons then entitled to exercise the Option shall be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. No Obligation to Exercise Option. This Agreement does not impose any obligation upon the Participant to exercise the Option.

13. Law Governing. This Agreement is intended to be performed in the State of Texas and shall be construed and enforced in accordance with and governed by the laws of such State, except as to matters of corporate law, which shall be governed by the laws of Delaware.

14. Use of Proceeds. The proceeds derived from the sale of stock pursuant to this Option shall constitute general funds of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 16th day of September 1986.

STERLING SOFTWARE, INC.

By _____
Sterling L. Williams, President
and Chief Executive Officer

PARTICIPANT

_____
Signature

Sam Wyly
Print Name

Address for Notice

8080 N. Central Expressway

Dallas, Texas 75206

86-82

MICHAELS STORES, INC.

NON-STATUTORY STOCK OPTION AGREEMENT

This Non-Statutory Stock Option Agreement ("Agreement") is entered into between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Sam Wyly (the "Participant"). The Company and the Participant agree as follows:

1. Grant of Option. Pursuant to a duly adopted resolution of the Board of Directors of the Company (the "Board"), the Company hereby grants to the Participant a non-statutory option (the "Option") to purchase from the Company a total of 175,000 shares of the Company's Common Stock, par value $.10 per share ("Common Stock"), at an exercise price per share of $4.00 (Four and No/100 Dollars) (the "Exercise Price"), in the amounts, during the periods and upon the terms and conditions set forth herein.

2. Time of Exercise. Subject to the other terms hereof, the Option may be exercised, in whole or in part, according to the following schedule:

Percentage Exercisable	Date
100%	August 22, 1990

3. Term. Subject to the other terms hereof, the Option and all rights incident thereto shall terminate on August 21, 1995.

4. Restrictions on Exercise. The Option:

(a) May be exercised only with respect to full shares and no fractional shares of Common Stock shall be issued upon exercise of the Option; and

(b) May be exercised in whole or in part, but no certificates representing shares subject to the Option shall be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Option, or issuance of securities upon such exercise, shall not have been taken or secured.

5. Manner of Exercise. The Option shall be exercised by written notice to the Company of the number of shares being purchased and the Exercise Price to be paid, accompanied by the following:

(a) (i) Full payment of the Exercise Price in United States Dollars, or in shares of Common Stock then owned by the Participant, or in any other form of valid consideration, (ii) a copy of irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares purchased upon exercise of the Option or pledge them as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay the Exercise Price, or (iii) a combination of any of the foregoing as required by the Board in its discretion; and

(b) An undertaking to furnish or execute such documents as the Company in its discretion shall deem necessary (i) to evidence such exercise of the Option, (ii) to determine whether registration is then required under the Securities Act of 1933, as then in effect and (iii) to comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

If Common Stock is to constitute all or any portion of the Exercise Price, it shall be valued at its fair market value, as determined by the Board on the basis of such factors as the Board may deem appropriate; provided that if at the time the determination of fair market value is made, the shares of Common Stock are admitted to trading on a national securities exchange for which sale prices are regularly reported, the fair market value of the shares shall not be less than the lower of (i) the mean between the closing bid and asked prices reported for, or (ii) the closing trade price of, the Common Stock on that exchange on the most recent trading day preceding the date on which the Option is exercised. For purposes of the preceding sentence, the term "national securities exchange" shall include without limitation the National Association of Securities Dealers Automated Quotation System and the over-the-counter market. Any federal, state or local taxes required to be paid or withheld at the time of exercise shall be paid or withheld in full prior to any delivery of shares upon exercise. Upon due exercise of the Option, the Company shall issue such shares registered in the name of the person exercising the Option or as directed by such person in writing reasonably acceptable to the Company.

6. Non-Transferability of Option. This Option is not assignable or transferable by the Participant otherwise than by will or the laws of descent and distribution and during the lifetime of the Participant may only be exercised by him.

7. Rights as Stockholder. Neither the Participant nor any of the Participant's beneficiaries shall be deemed to have any rights as a stockholder with respect to any shares covered by the Option until the issuance of a certificate to the Participant for such shares.

8. Capital Adjustments. If the outstanding shares of Common Stock are increased, decreased, changed into or exchanged for a different number or kind of shares or securities through merger, consolidation, combination, exchange of shares, other reorganization, recapitalization, reclassification, stock dividend, stock split or

reverse stock split, an appropriate and proportionate adjustment shall be made changing the number or kind of shares allocated to unexercised portions of the Option. Any such adjustment shall be made without change in the aggregate Exercise Price applicable to the unexercised portions of the Option, but with a corresponding adjustment in the Exercise Price for each share covered by such unexercised portions. Except as otherwise specifically provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of the certificate or certificates representing shares issued pursuant to the Option.

9. Rights in Event of Death of Participant. If the Participant dies prior to termination of the Participant's rights to exercise the Option in accordance with the provisions of this Agreement without having exercised the Option as to all shares covered thereby, the Option may be fully exercised as to the unexercised portion(s) thereof and subject to all other conditions of this Agreement by the participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance or by reason of the death of the Participant, provided the period during which the Option may be so exercised shall not continue beyond the expiration of the Option or one year from the date of the Participant's death, whichever date first occurs.

10. Stock Purchased for Investment. The Participant, by accepting the Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees by will or the laws of descent and distribution that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of the Option, the person entitled to exercise the same shall furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution. The Participant understands and agrees that all certificates evidencing any of the shares purchased upon the exercise of the Option shall bear a legend, prominently stamped or printed thereon, reading substantially as follows:

> The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), or the Securities Law of any state (a "State Act"). The shares have been acquired for investment and may not be transferred or otherwise disposed of unless such shares are then registered under the Act and any applicable State Acts or the issuer has received an opinion of counsel, satisfactory to the issuer, that such transfer does not require registration under the Act or any State Act.

11. Notices. Each notice relating to this Agreement shall be in writing and delivered in person or by certified mail to the proper address. Each notice shall be deemed to have been given on the date it is received. Each notice to the Company shall be addressed to it at its principal office, now 5931 Campus Circle Drive, Irving, Texas 75063, attention of the Vice President - Administration. Each notice to the Participant or other person or persons then entitled to exercise the Option shall be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. No Obligation to Exercise Option. This Agreement does not impose any obligation upon the Participant to exercise the Option.

13. LAW GOVERNING. THIS AGREEMENT IS INTENDED TO BE PERFORMED IN THE STATE OF TEXAS AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SUCH STATE, EXCEPT AS TO MATTERS OF CORPORATE LAW, WHICH SHALL BE GOVERNED BY THE LAWS OF DELAWARE.

14. Use of Proceeds. The proceeds derived from the sale of stock pursuant to this Option shall constitute general funds of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 22nd day of August, 1990.

MICHAELS STORES, INC.

By: _____

Title: PRESIDENT

_____
Sam Wyly

Social Security No. 433-46-5313

Address for Notice to Participant:

8080 N. Central Expressway
Suite 1100
Dallas, TX 75206

CONSENT TO TRANSFER OF NON-STATUTORY STOCK OPTION

WHEREAS, pursuant to that certain Non-Statutory Stock Option Agreement dated as of September 16, 1986, amended on January 13, 1988 and May 1, 1989 (the "Stock Option Agreement"), the undersigned, Sterling Software, Inc. (the "Company"), granted to Charles J. Wyly, Jr. an option (the "Option" or "Options") to purchase 333,000 shares of the Company's Common Stock, par value $0.10 per share (the "Common Stock"); and

WHEREAS, the Company has been informed that on April 15, 1992, Charles J. Wyly, Jr. assigned one-half the Option to Little Woody Limited, a Nevada corporation ("Little Woody") and one-half of the Option to Roaring Fork Limited, a Nevada corporation ("Roaring Fork"); and

WHEREAS, pursuant to Section 6 of the Stock Option Agreement, the Option is not assignable or transferable otherwise than by will or the laws of descent and distribution; and

WHEREAS, the Company, notwithstanding such restriction on transfer, desires to consent to the foregoing assignment;

NOW, THEREFORE, in consideration of the foregoing premises, the Company hereby consents to the transfer of Options to purchase 166,500 shares of the Company's Common Stock to Little Woody and options to purchase 166,500 shares of the Company's Common Stock to Roaring Fork.

IN WITNESS WHEREOF, the Company has caused this Consent to be executed as of this 17th day of April, 1992.

STERLING SOFTWARE, INC.

By: _____

Its: _____

NT2/7013D

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 652

CONSENT TO TRANSFER OF NON-STATUTORY STOCK OPTION

WHEREAS, pursuant to that certain Non-Statutory Stock Option Agreement dated as of August 22, 1990, amended October 24, 1990 (the "Stock Option Agreement"), the undersigned, Michaels Stores, Inc. (the "Company"), granted to Sam Wyly an option (the "Option" or "Options") to purchase 175,000 shares of the Company's Common Stock, par value $0.10 per share (the "Common Stock"); and

WHEREAS, the Company has been informed that on April 15, 1992, Sam Wyly assigned the Option to East Baton Rouge Limited, a Nevada corporation ("Baton Rouge"); and

WHEREAS, pursuant to Section 6 of the Stock Option Agreement, the Option is not assignable or transferable otherwise than by will or the laws of descent and distribution; and

WHEREAS, the Company, notwithstanding such restriction on transfer, desires to consent to the foregoing assignment;

NOW, THEREFORE, in consideration of the foregoing premises, the Company hereby consents to the transfer of Options to purchase 175,000 shares of the Company's Common Stock to Baton Rouge.

IN WITNESS WHEREOF, the Company has caused this Consent to be executed as of this 14th day of April, 1992.

MICHAELS STORES, INC.

By: R Don Morris

Its: Executive Vice President & CFO

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CONSENT TO TRANSFER OF NON-STATUTORY STOCK OPTION

WHEREAS, pursuant to that certain Non-Statutory Stock Option Agreement dated as of August 22, 1990, amended on October 24, 1990 (the "Stock Option Agreement"), the undersigned, Michaels Stores, Inc. (the "Company"), granted to Sam Wyly an option (the "Option" or "Options") to purchase 175,000 shares of the Company's Common Stock, par value $0.10 per share (the "Common Stock"); and

WHEREAS, the terms of the Stock Option Agreement provide that the Option is not transferable otherwise than by will or the laws of descent and distribution; and

WHEREAS, the Company, notwithstanding such restriction, has consented to the transfer of Options to purchase 175,000 shares of the Company's Common Stock by Sam Wyly to East Baton Rouge Limited, a Nevada corporation ("Baton Rouge"); and

WHEREAS, the Company understands that Baton Rouge may in the future desire to transfer all or a portion of the Options to the owner of all or substantially all of the capital stock of Baton Rouge;

NOW, THEREFORE, in consideration of the foregoing premises, the Company hereby consents to the transfer by Baton Rouge of all or a portion of the Options to any holder of all or substantially all of the capital stock of Baton Rouge.

IN WITNESS WHEREOF, the Company has caused this Consent to be executed as of the 14th day of April, 1992.

MICHAELS STORES, INC.

By: _____

Its: Executive Vice President & CFO

POST207006D

Sam Wyly
Michaels

JACKSON & WALKER, L.L.P.
ATTORNEYS AND COUNSELORS
901 MAIN STREET
SUITE 6000
DALLAS, TEXAS 75202-3797
(214) 953-6000

CABLE-JWAL
TELEX-73-385
TELECOPIER-(214) 953-5822
WRITER'S DIRECT DIAL NO.:
(214) 953-5801

OTHER LOCATIONS
HOUSTON
FORT WORTH
SAN ANTONIO

April 20, 1992

VIA COURIER
Ms. Sharyl Robertson
8080 North Central Expressway
Suite 1100
Dallas, Texas 75206

Re: Transfer of Wyly Options and Warrants

Dear Shari:

Enclosed please find the following documents:

1. Consent to Transfer of Non-Statutory Stock Option to purchase 667,000 shares of Common Stock from Sam Wyly to East Carroll Limited, a Nevada corporation, to be signed on behalf of Sterling Software, Inc. ("Sterling");

2. Consent to Transfer of Non-Statutory Stock Option to purchase 667,000 shares of Common stock from East Carroll Limited, a Nevada corporation, to its parent, to be signed on behalf of Sterling;

3. Assignment of Stock Purchase Warrant relating to warrants to purchase 150,000 shares of Common Stock to be signed on behalf of Michaels Stores, Inc. ("Michaels");

4. Consent to Transfer of Non-Statutory Stock Option to purchase 175,000 shares of Common Stock from Sam Wyly to East Baton Rouge Limited, to Nevada corporation, to be signed on behalf of Michaels;

5. Consent to Transfer of Non-Statutory Stock Option to purchase 175,000 shares of Common Stock from East Baton Rouge Limited, a Nevada corporation, to its parent, to be signed on behalf of Michaels;

Original Agmt
FAX received
to be re-typed
Skellinger
64

MSNY 025211

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 652

6. Consent to Transfer of Non-Statutory Stock Option to purchase 166,500 shares of Common Stock from Charles Wyly to each of Little Woody Limited, a Nevada corporation, and Roaring Fork Limited, a Nevada corporation to be signed on behalf of Sterling;

7. Consent to Transfer of Non-Statutory Stock Option to purchase 166,500 shares of Common Stock from Little Woody Limited, a Nevada corporation to its parent, to be signed on behalf of Sterling;

8. Consent to Transfer of Non-Statutory Stock Option to purchase 166,500 shares of Common Stock from Roaring Fork Limited, a Nevada corporation, to its parent, to be signed on behalf of Sterling;

9. Consent to Transfer of Non-Statutory Stock Option to purchase 62,500 shares of Common Stock from Charles Wyly to each of Roaring Creek Limited, a Nevada corporation, and Maroon Limited, a Nevada corporation to be signed on behalf of Michaels;

10. Consent to Transfer of Non-Statutory Stock Option to purchase 62,500 shares of Common Stock from Roaring Creek Limited, a Nevada corporation, to its parent, to be signed on behalf of Michaels;

11. Consent to Transfer of Non-Statutory Stock Option to purchase 62,500 shares of Common Stock from Maroon Limited, a Nevada corporation, to its parent, to be signed on behalf of Michaels.

After we sign up the assignments from the Nevada corporation to the Isle of Man corporations on Wednesday, we can coordinate having new Sterling Series B warrants and Michaels warrants executed in the name of the appropriate Isle of Man corporations.

Please do not hesitate to contact me if you have any questions or comments.

Very truly yours,

James S. Ryan, III

JSR:pw
cc: Michael C. French
Marilyn R. Post
207523